FINANCIAL TIMES, Tues. May 25, 1977
THE UNIVERSITY OF JORDAN



# FINANCIAL TIMES

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## NEWS SUMMARY

### GENERAL

### Dutch hostages face deadline

Holland prepared for ...'s General Election and ...h Moluccan gunmen con... ed to hold about 160 people ...age, including 105 school... dren. the Dutch Government ... release of the hostage must ...ede negotiations.

...e extremists have asked for ...umbo jet to take them, the ...ages and 21 jailed South ...uccans, to an unspecified ...ination. The demand expires ...p.m. to-day.

...e children are held at a ...ool with six of their teachers, ...e the remainder of the ...ages are aboard a hijacked ...

...r. Joop Den Uyl, Dutch ...e Minister, appealed to the ...ch people to vote to-day. He ... "We must not allow this ... disrupt the working of the ...stitution." Back and Page 4

### ...onn calls for ...nlarged EEC

...st Germany is pressing the ... to admit Greece, Portugal ... Spain as soon as possible, ...le indicating its opposition ...any substantial increase in ... level of agricultural spend... after the inclusion of new ...mbers. Page 4.

### ...arter, Fahd ...pen talks

...dent Carter and Crown ...e Fahd of Saudi Arabia ...ing the first day of their ...hington talks, agreed to ...k for a resumption of the ...neva conference on the ...idle East later this year. ...lier story, Page 5; Mideast, ...

### ...lice vote for ...ght to strike

...egates to the Police Federa... ...s annual conference at Scar... ...ough, voted by an overwhelm... majority in favour of the ...t to strike, ensuring a hostile ...eption for Mr. Melvyn Rees, ...me Secretary, when he ...resses them to-day. ...k Page

### ...ueen warns ...n energy

...lecting on the past 25 years ... looking to the future the ...een, opening the Church of ...tland General Assembly in ...nburgh, warned that Britain's ...at new discoveries of coal, gas ... oil would have to be used ...ely and well.

### 800 fish fine

...e skipper of a French trawler ...ered to Plymouth by a naval ...rol vessel was fined £800, ...red to pay £70 costs, and ...d the main part of his offend... ...g net confiscated after admit... using a net with too fine a ... 50 miles of Land's End.

### ...n du pays

English four-year-old white ... from the Isle of Wight, ...estone, was served to Farm ...isters of the EEC when Mr. ...n Silkin, Agriculture Minis... ...gave them lunch in London ...erday.

### ...il cheer

...orporation dustman was fined ... at Norwich after admitting ... sent to empty a dustbin at ...ich jail, he had filled it with ...ky, brandy and tobacco

### ...iefly...

Royal Marines, who have not ...oted guard at Buckingham ...ce since the 1935 Jubilee, are ...turn in the summer of 1979, ...Commons were told.

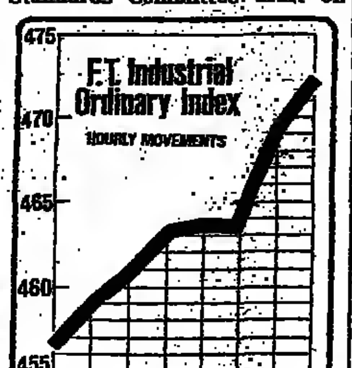
...hot is becoming an important ... of the diet, according to ...British Nutrition Foundation.

...print of a dinosaur which ... some 100m. years ago has ... discovered in Soviet ...stan, Tass news agency ...

### BUSINESS

### Two-year record as equities gain 15.7

● EQUITIES rose sharply on the price control news and ahead of to-day's Accounting Standards Committee draft on ...




deferred tax. The FT 30-share index added 15.7 to 472.2 for its biggest one-day gain in over two years. The All-Share index advanced more modestly, up 2.5 per cent. at 193.90.

● GILTS were erratic. Government Securities index moved up 0.06 to 70.61.

● STERLING slipped 5 points to $1.7167. Its weighted index stayed at 61.6. Dollar's narrowed to 1.00 (1.04) per cent.

● GOLD fell $1½ to $145¾.

● WALL STREET closed at 912.40, down 4.66 and its lowest since January 9, 1976. —Lex, Back Page

● U.S. TREASURY Bill rates: Three 5.143 per cent. (4.985); Sixes 5.333 (5.234).

● U.S. PRIME rates are expected to go up by ¼ of 1 per cent. soon. Page 5

### Support lacking for Phase Three

● TRADE UNION conference voting is running at more than 2-1 against the principle of a Phase Three incomes policy after July 31. Page 8

● BURTON may make several hundred more people within the group redundant at its Jackson Taylor menswear plants in Sunderland. Page 7

● BRITISH LEYLAND is to move the headquarters of its medium/light commercial vehicle division from Lancashire to Scotland. Page 8

● VICKERS is having talks with Dudley Foundries about the sale of its Elswick Works at Newcastle-upon-Tyne. Page 7

● ELECTRICITY COUNCIL is to sign an agreement with German and French concerns to develop a European electric car. Page 7

● BRITISH WOOL textile industry expects to increase its exports this year by a third to a record total of more than £400m. Page 6

● U.K. EXPORTS to the Soviet Union have not matched expectations, Mr. Edmund Dell, Trade Secretary, said in Moscow. Page 6

● CONSTRUCTION INDUSTRY orders went up sharply in March, but the first quarter total at constant prices was still 15 per cent. down on the same period last year. Page 8

### COMPANIES

● SWIRE PROPERTIES, the unquoted subsidiary of Swire Pacific, plans to raise over HK$1bn. in Hong Kong's largest-ever public equity offering. Page 34

● RANSOME HOFFMANN Pollard pre-tax profit rose by £0.63m. to £2.62m. in the half-year to April 1. Page 28

● WHEATSHEAF Distribution and Trading reports a profits upsurge to a record £8.21m. (£3.91m.) for the year to February 26. Page 29

### CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated.)

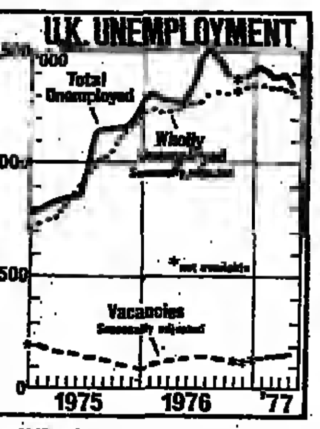
| | | | | | |
|---|---|---|---|---|---|
| **RISES:** | | | Laporte Inds. | 116 | + 6 |
| ... Dairies | 282 | + 28 | Linfood | 290 | + 20 |
| ...am | 489 | + 24 | Lucas Inds. | 317 | + 19 |
| ...ose | 65 | + 5 | Marchwiel | 191 | + 16 |
| ... | 179 | + 15 | Reyrolle Parsons | 209 | + 9 |
| ...n (John) | 210 | + 11 | Simon Engg. | 195 | + 10 |
| ...erfield Props. | 205 | + 7 | Smith (W. H.) A | 345 | + 35 |
| ... Patons | 82 | + 4 | Swan Hunter | 111 | + 6 |
| ...mercial Union | 137 | + 7 | Wheatsheaf | 190 | + 7 |
| ...lers | 157 | + 7 | Wimpey (G.) | 80 | + 6 |
| ...s | 367 | + 13 | Oil Explo. | 186 | + 6 |
| ...ss Withy | 294 | + 10 | Shell Transport | 553 | + 23 |
| ...A | 236 | + 10 | Guthrie Corp. | 228 | + 11 |
| ... | 339 | + 11 | Charter Cons. | 128 | + 7 |
| ...er Siddeley | 037 | + 21 | RTZ | 231 | + 8 |
| ...(C. E.) | 580 | + 25 | Selection Trust | 410 | + 15 |
| ...ucan-Kenton | 34 | + 5 | **FALLS:** | | |
| ... of Fraser | 122 | + 5 | Laurence Scott | 97 | − 30 |
| ... | 404 | + 11 | Muirhead | 190 | − 10 |
| ...ial Tobacco | 81 | + 4 | Storey Bros. | 95 | − 8 |
| | | | East Driefontein | 473 | − 14 |
| | | | West Driefontein | £15½ | − 1 |

# Official forecasts wrong as jobless falls to 1.3m.

BY MICHAEL BLANDEN

**The number of people out of work in the U.K. fell in the past month after a slight increase in April. The renewed downward trend in the level of unemployment, which has fallen in three out of the last four months, is contrary to almost all economic forecasts.**

Adult unemployment, excluding school leavers, fell by 6,700 on a seasonally adjusted basis in the month to mid-May. At 1.32m., it is equivalent to 5.6 per cent. of the total workforce.




The unemployment total has hardly risen since autumn, contrary to official predictions. Coupled with a continuing rise in the number of job vacancies available, the recent figures present an unexpectedly favourable picture of the current state of the labour market.

Vacancies notified to employment offices—mainly for adults—traditionally have been regarded as a forward indicator of the market and have been consistently favourable in recent months. In May, the number increased again by 2,700 to 161,200 on a seasonally adjusted basis and has risen by nearly 30 per cent. since autumn.

Another indicator of the improvement is provided by the flows on to the unemployment register. The average number joining in the latest three months to mid-April was 354,000 a month, compared with 373,000 a month in the three months to September, the last date for which these figures are available. (The mid-winter figures were not published because of industrial action by some civil servants.)

The improving trend of the figures could be helpful to the Government in its efforts to achieve agreement on a new incomes policy. But the figures also are proving something of a puzzle to Whitehall and could be difficult to explain to the International Monetary Fund team at present in London.

The official view remains that the long-term trend in unemployment is upwards. Recovery of output is slow, with the first quarter gross domestic product figures published this week broadly in line with the forecasts of a total rise in output of just under 1.25 per cent. in 1977.

At the same time, the U.K. has to cope with a further rise in the labour force. This summer it will be faced with an even bigger number of school-leavers coming on to the register.

One reason for the trend is the effect of the Government's various job preservation and creation schemes. The total number of people being helped by the schemes is about 317,000. It is estimated that allowing for special factors they have actually kept about 215,000 people off the register who otherwise would be unemployed.

It is estimated that over the three years to next March about 750,000 people in total will benefit from the special measures at a gross cost of £890m.

It is also thought that the special measures, coupled with the extent of the recession, have altered some traditional relationships in the labour market. This may have produced some unexpected retention of labour by employers, with the corollary that labour productivity is growing much more slowly than would be normal at this stage of the economic cycle.

The figures for last month show that total unemployed, excluding school leavers, dropped by 42,103 to 1.3m. in the U.K. before seasonal adjustment. School leavers on the register fell by 8,456 to 45,118, giving a total unemployment in the U.K. of 1.34m. before seasonal adjustment.

Unemployment map Page 37

**Increasing numbers of young people will face longer periods of unemployment into the 1980s, a House of Commons expenditure committee report on the Government's Job Creation Programme warns. Faced with this problem the report calls for a more comprehensive programme of assistance possibly costing half as much again as the present measures. Parliament, Page ...; Editorial Comment, Page 18**

# Podgorny dropped from Politburo

BY DAVID SATTER

MOSCOW, May 24.

MR. NIKOLAI PODGORNY, the Soviet President, was to-day dropped from the ruling Politburo in what could be the most significant demotion of a Politburo member since the removal 13 years ago of Mr. Nikita Khrushchev, the former Soviet Premier.

The removal of Mr. Podgorny, long considered one of the most important members of the Kremlin's inner ruling circle, was announced by Tass, the Soviet news agency, at the end of a report on a speech by Mr. Leonid Brezhnev, Soviet party leader.

Mr. Podgorny is still Soviet President, but it is regarded as virtually certain that he will be removed from that position when the Supreme Soviet, the Soviet Union's nominal Parliament, meets in June.

The brief announcement said only that Mr. Podgorny had been relieved of his duties as a member of the Politburo. The absence of any further explanation is believed to indicate that Mr. Podgorny, 74, is not leaving the Politburo voluntarily.

For other Politburo members have been dropped in the years since the present Soviet leadership assumed power in 1964, but none had the prestige and power of Mr. Podgorny.

## Big Three

As chairman of the presidium of the Supreme Soviets, Mr. Podgorny was the titular Soviet Head of State, and he has long been considered a member of the ruling party triumvirate, which also included the party leader, Mr. Brezhnev, and Mr. Alexei Kosygin, the Prime Minister.

At the Central Committee plenum meeting immediately after last year's Communist Party congress, Mr. Podgorny's name was listed after that of Mr. Brezhnev and before that of Mr. Kosygin when the members of the newly-elected Politburo were announced to the Central Committee.

After the illness of Mr. Kosygin last summer, Mr. Podgorny took a more active role in foreign affairs, and he recently completed a successful trip to Tanzania, Zambia and Mozambique, which resulted in a series of communiqués emphasising the "ties" between the Soviet Union and the three African states. He has also recently had a visible role in negotiating with visiting Heads of State including Dr. Fidel Castro of Cuba.

Westerners who have seen

Continued on Back Page
Podgorny's departure Page 4
Editorial Comment Page 18

# Profit, price curb powers cut to a year

BY ELINOR GOODMAN, CONSUMER AFFAIRS CORRESPONDENT

THE GOVERNMENT will not be able to extend profit margin control, dividend restraint or the power to monitor any pay agreement through the prices policy after August next year without new primary legislation. This is the result of an amendment to the Price Commission Bill that it accepted yesterday.

The change was brought about by an unusual alliance of Labour Left-wingers and Conservatives who, for very different reasons, both wanted a firm time limit of one year on the Government's ability to extend the powers in the existing Price Code.

It means that without new legislation the Government's powers to control prices after summer next year will rest solely on the proposed new powers to investigate particular price increases and order price reductions where necessary.

Mr. Roy Hattersley, the Prices Secretary, made it clear in April that the powers to continue margin and dividend controls were contingent on another pay deal with the union and that it was unlikely that he would want to use these powers after July 1978.

However, the very fact that the Bill contained reserve powers to extend these controls by order for a further two years after July 1978 was enough to worry the Conservatives as well as some Labour MPs who suspected that it implied a semi-permanent form of pay restraint.

The amendment—put down by Labour MP Dr. Oonagh MacDonald—was described yesterday by Mrs. Sally Oppenheim, the Conservative spokesman on prices, as a "major victory."

Mr. Hattersley denied that any radical change in policy had been forced upon him and pointed out that if the Government wanted to, it could re-introduce the powers in a new Bill next year.

The success of the amendment contributed to a rise in share prices and was welcomed by the Retail Consortium as "a very important concession to industry."

The Confedration of British Industry made no public comment, but privately some of its officials seemed to think that the stock market's reaction was exaggerated.

The amendment relates to the clause in the Price Commission Bill which, besides enforcing dividend and margin controls, also gives the Government power to penalise, by clamping down on prices, employers who break any pay agreement.

Ironically, the extension of margin controls for a further period was only included in the Government's proposals for future prices policy at the last minute at the request of the TUC. The TUC, however, is believed to have supported Dr. MacDonald's amendment because in the Bill profit controls are inexplicably interwoven with pay monitoring.

Under the Bill, it is proposed that the control on margins and dividends, together with the powers to back up a pay policy through the Price Code, should be extended for another year. This part of the Bill has been left untouched by yesterday's events. What has been deleted are the powers to extend these controls for a further two years by order.

Moving the amendment, Dr. MacDonald said that continuing sharp rises in prices and falling living standards of working people meant that continuing any statutory backing to a pay policy would be unwise, particularly in view of the difficulties over Phase Three.

# U.K. seeks new measures to protect pig industry

BY MALCOLM RUTHERFORD

BRITAIN HAS applied to the Brussels Commission for permission to introduce new protective measures for its threatened pig industry.

There is no certainty, however, that the application will be accepted. Even if it is, there is likely to be a gap between the ending of the present subsidy of £3.50 a pig and the introduction of new aids.

The application was made late on Monday night in advance of yesterday's meeting of Community Farm Ministers in London.

The result was that the meeting discussed the pig question only in passing, though there is little doubt that Mr. Finn-Olav Gundelach, Commissioner for Agriculture, is not yet convinced of the seriousness of the plight of the British pig industry.

Mr. Gundelach said yesterday that he regarded some of the statements made to him by the industry as "slightly exaggerated."

The British application to the Commission has been made under Article 135 of the Treaty of Accession.

This allows Britain to seek authorisation to take protective measures "if difficulties arise which are serious and liable to persist in any sector of the economy or which could bring about serious deterioration in the economic situation of a given area."

The Article is valid only until the end of this year and it is the Commission which decides (1) whether the appeal should be accepted and (2) what form the protective measures can take.

Mr. John Silkin, British Minister of Agriculture, made it clear yesterday that Britain will end the existing pig subsidy before the next meeting of the Farm Ministers' Council in Luxembourg on June 20.

He did not say exactly when, but he promised to make a statement to the House of Commons about the future of the subsidy "before the end of next week."

The European Court gave an interim judgment last Saturday that the subsidy must be ended "forthwith," but it was admitted even by Mr. Gundelach yesterday that it would be administratively impossible to interpret "forthwith" as meaning "immediately."

Mr. Gundelach gave no assurances that the Commission would be ready with its own proposals for protective measures before the present subsidy is abolished.

On the contrary, he referred to the possibility that the British application might be turned down altogether.

Among the measures which the Commission could theoretically propose are a restriction of imports or an adjustment of the monetary compensation amounts (MCAs) which at present make it profitable for Danish pig farmers to export to the British market.

The court case meanwhile continues, with Mr. Silkin hoping that the final judgment will be in favour of the subsidy. It could then be paid retroactively.

The Farm Ministers to-day go to Cambridge and Hertfordshire where they are likely to run into hostile demonstrations from angry British pig farmers.

# New accounting rules impact

BY MICHAEL LAFFERTY, CITY STAFF

NEW DRAFT accounting rules, which will have a considerable impact on companies' reported profits and balance-sheet asset values are published to-day by the Accounting Standards Committee, the rule-making body on accounting matters.

Most public companies' reported after-tax profits will rise by between a quarter and a third. The balance-sheet will also change dramatically. Net assets are expected to go up by up to a fifth.

The proposals replace old rules on the accounting treatment of deferred tax liabilities, which the accounting bodies were forced to suspend last year in the face of unprecedented opposition from almost all quarters, including the CBI, the London Clearing Banks, and the British Insurance Association.

Some companies, including Debenhams, Westland Aircraft, and the Bath and Portland Group, have already adopted the new system and many more are expected to follow in the next 12 months.

The proposals are open for public comment until September 1, and are due to become effective for all companies from January 1, 1978.

A deferred tax liability arises because of tax reliefs such as accelerated depreciation and stock appreciation relief. Hitherto, this "deferred tax" has been written into the balance-sheet as a liability and reported profits have been reduced accordingly.

If the proposals become an accounting standard in their present form, as seems highly likely, companies will be required to set up liabilities in their accounts only for the tax they expect to have to pay to the Inland Revenue "in the foreseeable future."

The old deferred tax rules were essentially a way of smoothing out the differences between the way profits are shown in company accounts and the way they are taxed.

However, in practice, it became clear that most of these liabilities would never have to be paid over to the Government, provided companies continued to invest at a reasonable level. It was this and the fact that deferred tax liabilities were rapidly building up in company accounts which led to the clamour for more realistic accounting rules.

A radical shift in the pattern of profits, Page 17
Lex, Back Page

# Bank supports sterling

BY MICHAEL BLANDEN

THE BANK OF ENGLAND intervened to provide heavy support for the pound yesterday as sterling came under significant selling pressure for the first time in several months.

Market sources estimated that the Bank may have spent more than $100m. to hold the rate. The authorities were also thought to have intervened in the forward markets to increase the cost of short-term Eurosterling and so discourage speculation.

The pound slipped below the $1.7170 level to close with a loss of five points at $1.7167. The index of sterling's value based on the Washington currency agreement, as calculated by the Bank, was unchanged at 61.6.

The pressure on sterling increased during the afternoon. Dealers offered a number of explanations, including selling by multi-national corporations.

Some sources suggested that it was related to uncertainty over the present London discussions with the International Monetary Fund inspection team, though there was no indication yesterday that these would result in any immediate change in policy on exchange rates.

Lex, Back Page

| £ in New York | May 24 | Previous |
|---|---|---|
| Spot | $1.7165-7168 | $1.7175-7177 |
| 1 month | 0.20-0.70 dis | 0.55-0.50 dis |
| 3 months | 1.60-1.70 dis | 1.30-1.20 dis |
| 12 months | 5.20-5.10 dis | 5.40-5.20 dis |

### FEATURES



### FT SURVEYS



### ON OTHER PAGES



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LOMBARD

# In place of local rates

BY COLIN JONES

IT WAS all very well for Mr. Peter Shore, the Environment Secretary, to tell us last week about his plans to make the sales value of everyone's home the basis of household rates. The political auguries are such, however, that even if he were to succeed in placing his reform on the statute book, there seems not the least chance of it being put into operation. It is the Conservatives, not Mr. Shore, who now seem likely to have the last word on rating reform; and, as Mr. Michael Heseltine, the Conservative front-bench spokesman on the environment, made clear last week, not only do the Conservatives believe that a rating system based on capital values would be even more unsatisfactory than one based upon rental values; they still appear to be sticking to Mrs. Margaret Thatcher's "pledge" to abolish domestic rates altogether.

## Tax burden

Mr. Heseltine is not yet ready to tell us exactly how the Conservatives would propose to do this—which is perhaps understandable as the implications of abolishing the household rate are distinctly uncomfortable. At the national level, for instance, it would mean an incoming Conservative Chancellor having to find an extra £3bn. plus a year (equivalent to an extra 4½p on the basic rate of income-tax or an increase of 6 per cent. to 14 per cent. in the standard VAT rate) before he could begin to reduce the tax burden on earnings.

True, the latest Conservative *Campaign Guide* talks of abolishing domestic rates "in their present form." It would be possible to reduce the rates burden by financing education and the other main local services entirely out of grants (and, in the process, abolish all county precepts). But the Conservatives' main complaint about the present rating system is its failure to reflect ability to pay which (if it were true, which to a large measure it is not) would seem to rule out keeping rates or any other form of local property tax. Similarly, one can rule out all other taxes—a local sales, payroll, poll, or motoring tax or a local surcharge on income tax. They all fall down on the score of feasibility, cost, equity, certainty or yield. On this reading of the possibilities, therefore, the only alternative to household rates would be increased government grants.

However, it would not only be the household rate which local authorities would lose. Household rates have for years been deliberately limited to about 2½ per cent. to 2¾ per cent. of personal disposable income and so have acted as a brake upon the level of rates imposed upon the occupiers of commercial and industrial property. Remove that brake and there would be no limit to the amounts which the business ratepayer might eventually be called upon to pay. Local councils' rate-setting powers would thus have to be so circumscribed as to make the non-domestic rate tantamount to a hypothecated national tax or — which is more likely — the Government would appropriate the non-domestic rate and pay local authorities grants in lieu.

Local councils would thus face the prospect of losing all their tax-raising powers and, with them, the freedom to vary expenditure at the margin which has been the essence of local autonomy in modern times. The Conservatives may say that, once overall cash limits for local spending had been set, local councils would be left free to decide how to spend the money. But, however earnestly this may be meant at the outset, can one really see Westminster politicians continuing to refrain from having a say about priorities in—and between — education, personal social services, housing, transport, and so forth? Likewise, can one really expect Whitehall, once councils are wholly dependent upon grants, remaining entirely unconcerned about how efficiently or otherwise the taxpayers' money is being spent?

## Loans market

Nor would that be all. The income from local rates is an important part of the basis upon which local councils' borrowing powers are founded. Sooner or later local borrowing would either have to be afforded a Treasury guarantee (which would in practice mean restricting it, like nationalised industry borrowing, to Exchequer sources) or replaced with capital grants—or, more probably, both.

All in all, therefore, abolishing household rates could well mean the end of local government as we now know it. It may be that there is a very good case for this. If so, it is up to Mr. Heseltine and his colleagues to spell it out. If not, then let us hope that their silence on details means they are looking for ways of avoiding the worst consequences or even perhaps, of getting off the hook altogether.

RACING BY DARE WIGAN

# Bedford Lodge could be Brighton's bright spot

SO CONVINCINGLY did Bedford Lodge win the Sidney Thompson Memorial Handicap over a mile at the last Brighton meeting, that I doubt whether a 7 lb penalty will prevent him from landing the Flanagan and Allen handicap there to-day.

Indeed, judged on overall form shown this season, N. Callaghan's gelding—who was also successful there as a two-year-old—does not appear to be harshly treated with 8 st 11 lb.

Murrmatch is an unlucky customer who usually finds one or two too good for him, as was the case last week-end when he was narrowly defeated by Musical Piece at Newmarket.

But it may be that his time has come in the Clayton handicap. Certainly, there is nothing in the field that I would nominate to beat him.

In the absence of Peaceful River, Miss Meg looks best in the Patcham Maiden Auction Stakes. Blakeney Breeze, trained locally by Captain Ryan Price, has shown a degree of promise and I doubt whether Petisdy, who will be having her first outing of the season, will be capable of conceding him 18 lb in the Channel handicap.

Finally, Olwyn will have to do no better than when runner up to Dumfermline in the Pretty Polly Stakes at Newmarket to win the Regency Stakes.

At Catterick, Chain Lady, who appreciates a sharp track, can complete a hat-trick in the Stapleton Stakes and J. Hardy, who trains this filly, can complete a double with Brianston Zipper in the Grinton Stakes.

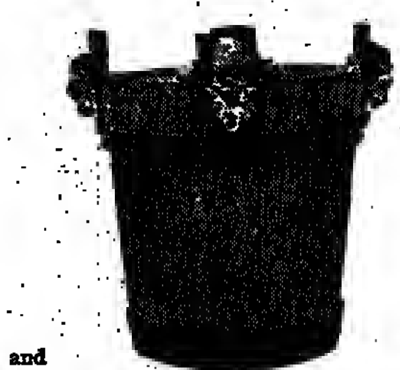
Chinese White, who has travelled from Berkshire, is a suggestion for the Muker Stakes.

BRIGHTON
2.00—Miss Meg
3.00—Bedford Lodge**
3.30—Murrmatch***
4.00—Blakeney Breeze
4.30—Olwyn*

CATTERICK
2.45—Chain Lady
3.15—Robin Brook
3.45—Brianston Zipper
4.45—Chinese White

SALEROOM BY ANTONY THORNCROFT

# Porcelain milk pail sells for £60,000 at Mentmore



MILK PAIL
*Sold for £60,000.*

THE MENTMORE sales seem to be going from strength to strength. There have already been record prices for a clock, an ivory figure and a piece of amber (in the form of a chess set) and yesterday an English collector paid £60,000, an auction high for a single item of porcelain, for a Sèvres porcelain milk pail, made for Marie Antoinette's dairy at Rambouillet.

It had been estimated at between £8,000 and £12,000. The buyer will have to pay another £6,000 in premiums. A similar pail was acquired by the same collector for £45,000.

The morning porcelain auction added £254,950 (as against a high pre-sale forecast of £238,300), bringing the running total close to £5.5m., already well ahead of the conservative Sotheby's estimate of £4m.

Other good prices yesterday were the £24,000 from the Musées de France, the body which administers all the French museums, for a pair of Vincennes vases of around 1756; £19,000 from the London dealers Hazlitt Gooden Fox for a Vincennes pot purri vase and cover of about the same period; £17,000 from Frank Partridge for a Sèvres part dinner and dessert service of 142 pieces; and the same sum from an anonymous buyer for a Sèvres ecuelle, cover and stand of about 1760.

During the Saturday session of mundane bits and pieces from the Towers, Eva, the dowager Countess, the mother of the current earl who set the sale in motion, bought back one of her own gilt lamps for £80. It was in a general lot which also included a hearth rug and a cane wastepaper basket. Five other lamps from the same set had been withheld from the auction.

In the afternoon session at Mentmore yesterday Vandekar paid £16,000 for an 1840 Meissen dinner and dessert service of 174 pieces; Partridge gave £7,500 for a 225-piece Niderviller service of the late 18th century, and part of a Sèvres Imperial Compiegne service, designed for Napoleon III, made £5,100 for 277 pieces.

At Christie's, miniatures and objects of vertue brought in £43,347. An oblong ormolu mounted rock crystal tazza sold to Montanaro for £1,250, treble the estimate, and a miniature of a lady by Peter Cross fetched £1,200 to Eskenazi. A private buyer gave £1,050 for a lady by Rosalba Carriera.

Among the Japanese ivory carvings and netsuke, which totalled £76,311, a wooden netsuke of a blind old man signed Miwa went for £1,200 to Douglas Wright. In the afternoon a large pair of carved Indian ivory tusks sold for £2,500.

Phillips disposed of furniture for £64,220 with a large set of steel scales made in London in 1796 going to Davison for £1,450. Daly paid £2,050 for a 19th-century French giltwood salon suite of nine pieces.

The total for the afternoon session of porcelain was £163,200, bringing the day's total to £523,150. The grand total for the 12 Mentmore sessions to date is £5,561,352.

GARDENS TO-DAY

# Lessons to be learned from the Chelsea show

BY ROBIN LANE FOX

WHAT CAN a plain gardener usefully learn from last week's Chelsea Flower Show? The most remarkable entries were almost inimitable, the extraordinary display of house-plants by Thomas Rochford, the stands of orchids and Bird of Paradise *flowers*. In the past, I have had queries from readers who have returned from Iberian holidays with seeds of these "Birds of Paradise" to be found in catalogues as *Strelitzia Reginae*.

I imagine the Costa Brava to be thick with pots of them in summer, attracting visitors to hope that they might enjoy them too at home. No doubt the other features of the Costa Brava would transplant more readily, back to the land of their origin. But unless you can start the *Strelitzia* in a hot and humid corner, keeping a temperature above 70 degree F, you will not, I think, have any luck with it.

They are unavoidably hot house plants, not really settling into the kind of house which used to be described as "cool." I have never seen them better than at this year's Chelsea where, alas, we amateurs must leave them.

## Be warned

Nor, indeed, have I seen such African violets, Rochford's star turn. These *Saintpaulias* are more manageable and I would guess that many new gardeners will have fallen for them on the strength of this exhibit. Be warned that they too must not be allowed to live in low temperatures, even at night. My success with them has always resulted from careful watering and from a compost which does not include lime. Do not water the hairy leaves of an African violet from above, as overhead watering is likely to rot them.

Stand their pot in water so that they can absorb water from below. If you can keep the heat up, they are excellent value as they will flower so freely for so long. I doubt, however, if you can match the size which Rochford showed us this year.

Usually this column does not have many words for the newly-bred modern roses which turn up at the show. Whatever else, the Royal Jubilee seemed to me to have brought out the best in our rose-breeders. The smaller-flowered roses, the sort of roses which belong with The Fairy's pink flowers, have long struck me as a neglected line.

I do not mean those very small miniature pom-pom varieties, but those which can be massed in the front of a mixed border where their long season is so useful. Their leaves, too, are usually more glossy and more elegant. When they are out of season, they are not the conspicuous bunches of bare sticks to which their larger and more noticeable kin, the hybrid teas, soon turn. Their scent is usually no more in evidence than the scent of other modern varieties.

I doubt if the old double white called Little White Pet will ever be excelled, not least because it begins its season a little later than most roses. Hence, perhaps, its absence from Chelsea. As a clump, about two feet high, spilling over a straight edge, or softening any vertical or horizontal line, it is still the most healthy and prolific of the smaller roses which have come my way. It is quite happy on a horribly light vein of sandy soil which cuts through one corner of my main rose bed. But it is not exactly news.

For this, I turn naturally to the smaller carmine-red Royal Salute, bred by John Mattock of Nuneham Courtenay, Oxford. Stocks are said to be large, which is just as well as I would want this handsome new rose only if I could mass it in groups of ten. It struck me as a variety which you should pursue. It was not the object of any of Chelsea's private grumbles or expert complaints. It seems to be healthy.

James Cocker of Aberdeen seemed to my eye to have trumped it with their Silver Jubilee variety, a hybrid tea whose flowers are most elegantly formed and borne. This seems to me to be the best new rose of the year, in the range of creamy pink which is otherwise dominated for me by the old Gruss an Aachen, again never shown these days at Chelsea, but never excelled, in my experience. Silver Jubilee is said to resist disease which will be a mercy. I intend to find room for it by 1980 when Jubilee fever is over. But I thought very highly of its colour and form and would *suggest* you look *into* it.

## Sprawling

Of the other red novelties, I am not, I fear, in the market for Potentilla Red Ace. It is coppery red-orange, a fact which the publicity cannot hide. Its flowers are small, though their season is of course very long. Bressingham Nurseries, Diss, Norfolk, are welcome to their rights over it. I will remain true to that sprawling herbaceous Potentilla, Gibson's Scarlet, which is such a splendid coverer of banks or b[illegible] patches. Like Potentilla Willmott, it allows no reservations about its colour. Not [illegible] shrub, I grant you, but along with such geums as survived [illegible] drought, it is as good a red [illegible] the border could want already.

Reddish leaves are another matter, especially if they avoid that drab shade of brown which places the "purple"-leaved berberis at the bottom of [illegible] shopping list. I noted this year the new New Zealand flax phormium, marked out by the brand-name "Dazzler." I hope that nurserymen will spread [illegible] for us.

The phormiums in my experience are much hardier than books and lists dare to suggest; indeed, I have never lost one, [illegible] known one vanish, in the [illegible] years of Midlands gardening which have given them space. These are rash words, and [illegible] does not exactly see phormiums outside the warmer belts [illegible] Britain. If you are in doubt, try a clump under a south wall. I think they are excellent foliage plants, their long sword-shaped leaves outdoing the smaller *yuccas*. [illegible] a new garden, they can [illegible] bought at a size which [illegible] noticeable. They never flow[illegible] facing south-east with [illegible] at a height of about [illegible] feet. The danger, I find, is [illegible] wind.

## Clever buy

When you plant a new gro[illegible] do not be misled by [illegible] apparent solidity of its [illegible] of tall leaves. Tie them to stout cane as they can be b[illegible] or snapped at the collar by sudden high wind. Otherwise they like lime and a light s[illegible] they multiply and are [illegible] trouble. Hitherto the variegated variety of *Phormium Tenax* w[illegible] the best, though not the m[illegible] hardy. "Dazzler" looks to [illegible] its equal, a fine upright clu[illegible] of long reddish leaves. If you live in a town, where gardens are less at risk to frost, the New Zealand flax, all bold evergreens, are a clever buy. The shape goes well with [illegible] indestructible fig-leaved evergreen Fatsia.

For the rest, the clema[illegible] bulbs, azaleas, orchids fr[illegible] Barbados and the silver [illegible] and leaves so usefully lis[illegible] shown by Hilliers of Win[illegible] were all as dramatic as I [illegible] remember. In their Ju[illegible] year, Ingwersens of East [illegible] stead, Sussex, showed lew[illegible] as finely as I ever rememb[illegible]

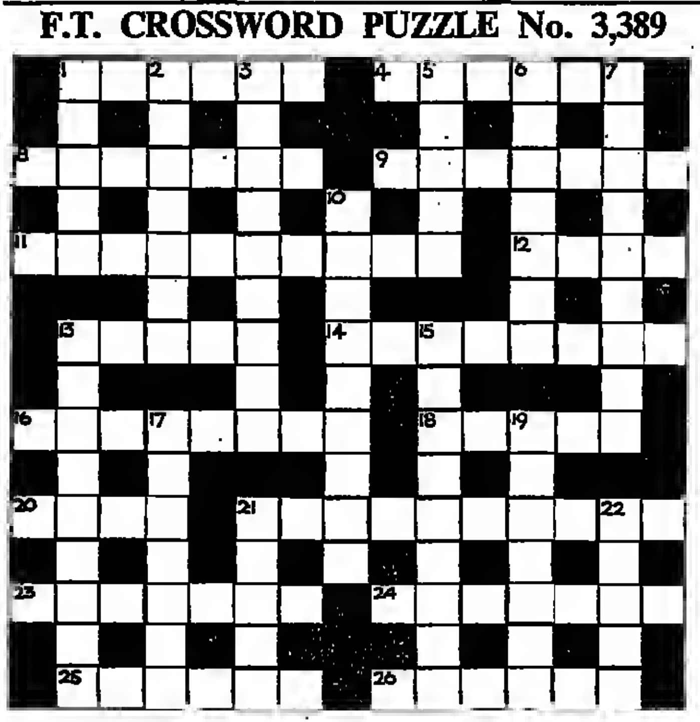
# TV/Radio

## BBC 1

† Indicates programme in black and white.

[illegible]

## F.T. CROSSWORD PUZZLE No. 3,389



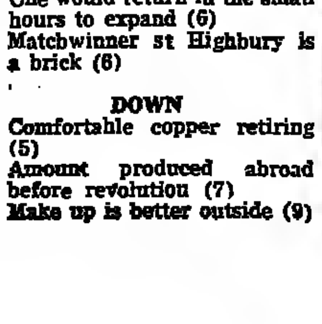
ACROSS

1 Company ought to get inflamed so calm down (4, 2)
4 Miss barrages constructed by the Spanish (6)
9 Pies too can be made from one form of element (7)
10 Heart caught by generation now and I belong to (7)
11 Drink I find agreeable (2, 3, 2, 3)
12 Solicitor in West-End dismissed (4)
13 Plants giving pleasure to soldier (5)
14 Oh I say pay attention (4, 4)
16 Let out name of university session (4, 4)
18 Article for instance is given protection (5)
20 Imperial order Youth Leader has to follow (4)
21 Forcibly remove Yorkshire to part of Ireland (6, 4)
24 Conference with Pennsylvania tennis star (7)
25 Useful gift to artist from girl friend (7)
26 One would return in the small hours to expand (6)
28 Matchwinner at Highbury is a brick (6)

DOWN

1 Comfortable copper retiring (5)
2 Amount produced abroad before revolution (7)
3 Make up is better outside (9)
5 Subtle quality of a doctor artist upset (5)
6 Score without receiving any start (7)
7 Member gets crack regiment to give protection at Lords (3, 6)
8 Overworked ship's officer brought to standstill (9)
10 No charge to lodger for part above water (4-5)
15 Ought body of church to storm generally (2, 7)
17 Jib at what to do when engine breaks down at sea (7)
19 Windfall makes gallery close (7)
21 Lucky to be given British leader in case (5)
22 Drink always taken neat (5)

SOLUTION TO PUZZLE No. 3,388



## BBC 2

[illegible]

## LONDON

[illegible]

## RADIO 1

[illegible]

## RADIO 2

[illegible]

## RADIO 3

[illegible]

## RADIO 4

[illegible]

## BBC Radio London

[illegible]

## London Broadcasting

[illegible]

## Capital Radio

[illegible]

## GRANADA

[illegible]

## HTV

[illegible]

## SCOTTISH

[illegible]

## ANGLIA

[illegible]

## ATV

[illegible]

## BORDER

[illegible]

## CHANNEL

[illegible]

## GRAMPIAN

[illegible]

## SOUTHERN

[illegible]

## TYNE TEES

[illegible]

## ULSTER

[illegible]

## WESTWARD

[illegible]

## YORKSHIRE

[illegible]

Elisabeth Seal and Marc Urquhart in a scene from 'In Order of Appearance—a Royal Re-View to Music' at Chichester Festival Theatre last night

The Other Place, Stratford-upon-Avon

# The Alchemist

by B. A. YOUNG

This is a good season for Ben Jonson; but it's a pity that we are seeing mostly the old favourites. The Alchemist, is a great little comedy, but it seams to turn up as often as *Twelfth Night* nowadays. Still, I suppose I should not complain; build up a taste for Jonson with the popular pieces and perhaps we shall see more of the less-known ones, like *The Devil is an Ass*.

Trevor Nunn has decided wisely to put his *Alchemist* into The Other Place, for it is a domestic piece that looks best in a small house, and here there is a great feeling of intimacy, as if we were in the room with all those rascals. Chris Dyer's set is a simple affair which is basically an elaborate traverse across the back of the stage with no fewer than seven doors in it on two levels. Add the two doors that lead out of the room where the action mostly plays, and you have a geography that Feydeau might have envied.

John Woodvine and Ian McKellen play Subtle and Face, the two con-men who set out to make a quick fortune during the absence from his house of Face's master avoiding the plague. They change colour as readily as chameleons. Subtle has the grey, debilitated look of a man who has spent five years in a dungeon but he can turn himself into a learned doctor or a dubious philosopher with an instant change of clothes and accent.

Face is even more devious. He is a whining Cockney when he deals with Subtle or their girl confederate Doll Common (Susan Drury), but give him his captain's uniform with a dashing patch over one eye and his voice becomes a silver trumpet. More remarkable still, when his master returns unexpectedly and he has to relapse into his proper job as the butler, he becomes a Belfast man.

The half-dozen gulls that this inventive trio deceive thoroughly deserve deception considering the nature of their requests. Dapper (Alan Cody) wants to meet the Queen of the Fairies to help him with his gaming. The tobacconist Abel Drugger (Nickolas Grace, corved into a wilting S) wants magical advice about the layout of his shop. Sir Epicure Mammon (Paul Brooke) and the two Anabaptists (Roger Rees and Jacob Witkin) are after the Philosopher's stone. Kastril the angry boy (Hilton McRae) needs only to learn the mechanics of a quarrel.

The text, like the text of *The Devil is an Ass*, has been edited by Peter Barnes in order to make its meaning clearer to audiences of our time. With respect, I see little harm in this as long as it is ably done. The process is precisely what Shakespeare did to that anonymous comedy *The Taming of a Shrew* and no one has blamed him for that.

Sadler's Wells Theatre

# The Acharnians

The wonderful Greek Art Theatre are back in London for a two-week season. They last appeared here in the World Theatre Season of 1969, and last night's British premiere of Aristophanes's first extant comedy (dating from 425 BC when the author was in his early 20s) was dedicated to the memory of Sir Peter Daubeny who presented the company at four of his Aldwych bonanzas. The theatre, Londoners should be ashamed to learn, was half empty.

The comic hero is Dikaiopolis, an Athenian who has declared a state of peace for himself and his family even though his fellow citizens are at war with Sparta. On the point of celebrating his private treaty with wine, daughter and large phallus-pole, he is assailed by a bunch of Acharnian charcoal-burners who are suitably enough incensed at these pacific overtures. The entry of the Acharnians is both striking and funny: huddled together in their stringy wigs, tattered tunics and rude sandals, they advance on Dikaiopolis stamping their feet and hurling lumps of coal. It is then his job to convince them of his arguments against the war.

This he does by calling on Euripides to provide him with the raiments of tragedy. Aristophanes uses the episode to attack the tragic poet, but the satire is fully welded to the comic action. The other real life figure is the general Lamachus, who the divided chorus suspect will justify the war. But when Lamachus arrives, he is a fully fledged military buffoon. Outwitted in the dispute, he goes off to war only to return a few minutes later wounded and humiliated; a figure of public contempt.

Director Karolos Koun enlivens the stage with swirling movement and rumbustious physical comedy. The production is simple and energetic, and the strongest coup is achieved when the chorus remove their half-masks and address the poet's parabasis directly and passionately to the audience. At the end, Lamachus slumps dejectedly while Dikaiopolis is drunk with wine, pampered by girls and festooned in brilliantly coloured garlands.

MICHAEL COVENEY

Coliseum

# The Sanguine Fan

The presence of Sir Adrian Boult on Monday to conduct the Elgar score for *The Sanguine Fan* was guarantee enough that the score would sound magnificent and that a sense of occasion would infuse the dancers' performance. Ronald Hynd, choreographer of this engaging piece was also present: the result was that the ballet looked—and sounded—at its best. The moral, to be seen throughout the rest of the evening, was all too plain: *Echoing of Trumpets* and *Gaieté Parisienne* were in a state of near disintegration.

*Echoing of Trumpets* is nothing without the absolute sense of purpose behind each pose and step which only the choreographer's guidance can bring. As shown on Monday it looked slack, and nearer at moments to *Coppelia* than Lidice—the opening of the second movement for five women and five soldiers was positively cheery in tone. Many of the performances were well-intentioned, but Tudor's particular precision of gesture and his integrity of utterance—a movement only possible because the action forces it from the characters—were barely hinted at.

In its utterly different manner the same is true of Massine's frantic view of Second Empire Paris. Vulgarity and tawdriness are certainly part of Napoleon III's régime, but not of the lurid and graceless type that bawls at us from the Coliseum stage. I suppose that, in fact, the piece is lost beyond recall; only the special Ballets Russes glamour of the late 1930s, so typified by the dancing of Alexandra Danilova and Mr. Massine, could make any sense of this cataract of garters and cocottes. Honourable exceptions from the general frenzy are Patricia Ruanne as the Glove Seller—who has the spirit and technical charm to bring the part to life—and Kenn Wells, who makes an excellent shot at the Massine role of the Peruvian, and captures its physical wit.

CLEMENT CRISP



Television

# Don't forget to repeat

by CHRIS DUNKLEY

Several series have recently been sustaining, and even extending, my sometimes wavering faith in television's ability to provide entertainment (distinct from current affairs, arts, and sports programmes and so on) capable of competing successfully with a good book, a good game of bridge, or a good stage play—notably BBC2's *Don't Forget To Write*.

Unfortunately the series ended on Monday, but the BBC will simply have to show it again, not only for those who missed its first screening, but also for those of us who watched it right through and only began to understand at about the half way mark all the things that we should have been watching for.

Now that we know, the nagging desire is to be able to go straight back to the beginning and work through it again like a thriller reader, successfully hoodwinked by the author, heading back to the start to check all the clues and enjoy all the camouflaging and sleight of hand in the writing which earlier went unnoticed.

The BBC described *Don't Forget To Write* as "a series of six episodes" (which seems akin to praising with faint damns) and in the corporation's terms it was a somewhat odd mutation: though undeniably a comedy series, it was written by Charles Wood, a man we associate more with serious drama than with sitcoms, and it was made not by the light entertainment group but by the drama series department.

In itself that is of minimal significance to the viewer. The effects, however, were significant: instead of the statutory half hour, each episode lasted 50 minutes, and the whole thing was made without the studio audience which seems to have become mandatory elsewhere in TV comedy.

This absence was very important. The effect of the laughter (whether "canned" or just "enhanced") in most comedies is to provide continual reminders of the audience and thereby induce a sense of theatricality. By ignoring the device producer Joe Waters and director David Askey induced a sense not of theatre but of documentary.

This was entirely suitable because Wood was concerned, much of the time, with that "space between words" which we have been hearing about from documentary film makers in the last few years. In particular there was the series actually called *The Space Between Words* which contrived to show us how groups of people communicate and reach decisions via a sequence of understandings (and misunderstandings) which are often anything but explicit.

Wood's subject was the family life of a well-healed writer of plays and film scripts. Since Wood has written not only plays but also the scripts for the Beatles films and for *Charge Of The Light Brigade* this initially raised the feeling that he was indulging in an unbecoming navel-gazing tendency.

The feeling was increased when the first episode revealed his writer, Gordon Maple, working—or rather avoiding working, and thereby hung the whole tale—on a script for a film called "Thundering Hooves."

Yet there is, of course, no reason why a writer should not choose another writer, or even himself, as his central character. Wood certainly had some jokes and observations to make specifically about writers. In the first episode, for instance, Maple carried his pretence of working in his study to the point of playing a tape-recording of typing — an extreme which will have been appreciated by any professional writer who has found himself sitting at his desk making out cheques to pay bills or writing out lists of Christmas presents, anything to give the impression of working while actually evading the job whose deadline approaches.

Also wickedly accurate was Maple's outcry to his wife: "Put that sheet of paper down! Don't hold pieces of paper like that by the corner. Look what you've done with your sharp little fingers!" Wood knows that nine out of ten writers are stationery freaks. Such jokes about writers are as legitimate as jokes about doctors or musicians.

But it slowly became clear that while the series was certainly involved with the comedy possibilities of a writer's life, it was really that business of the way people live together and communicate which was central to the work, and it was here that a double masterstroke of casting paid such dividends: George Cole as Maple and Gwen Watford as his wife, Mabel, were so ideal in the roles that it is quite impossible to imagine the series made with anyone else.

Cole played Maple as a human Eeyore: lugubrious, cynical, fatalistic, doleful and shrewd. The character was perpetually at war with the necessity to earn a living. "Americans!" he exclaimed in episode two, "I love 'em! Or rather I love the idea of them. And when they employ me I hate them."

Maple's views of life emerged from jokes and protestations and over-statements which were always at least half meant (that space between words again: "You have got to love me Kate, despite everything," he told his daughter in episode five. Then, through clenched teeth, "what about a game of Monopoly?"

Gwen Watford's bright, nervous, warm and supremely human Mabel was even more complicated, combining ever more superficially contradictory characteristics than her husband. Though it was her practicality which ensured Gordon had the atmosphere and conditions in which he could work at home, she was also given to flashes of hurbling hysteria—as when their delinquent son appeared at the first night of the play.

In this respect all the characters were quite unusually like real, paradoxical, inconsistent people. They lived with precisely the shift of alliances of offence and defence which real families live with. Wood showed some such alliances breaking and re-forming during the course of brief conversations. It tended to happen particularly when the egocentric charlady Mrs. Field was involved.

At more profound levels of mutual support or combined attack, such alignments can persist for entire lifetimes. Most successful marriages consist of an alliance of offence and defence and it is another indication of the triumph of the series that Gwen Watford and George Cole carried total conviction as a married couple (unlike so many "married" couples on television).

What most families don't do is discuss and analyse their alliances, friendships, relationships, and emotional responses to one another in the way that so many books—by Iris Murdoch, say, or Margaret Drabble—suggest.

Real people deal with such subjects, when they "deal" with them at all, by employing a system of code, of shorthand, of polished jokes and worn patter well understood within the closed group and often almost meaningless to outsiders.

It was here that the spaces between the words become so important, often more important than the words themselves, and it was this that Wood, director David Askey and the cast captured so cleverly. They did it with the sort of naturalism which looks, initially, banal because it gives the impression of a literal reproduction from the life—just what a book cannot achieve. Anyone who has ever tried writing or acting of this sort knows just how difficult it is.

It was only later, after a couple of episodes, that the extent to which art was concealing art became clear. Hence the desire to rush back to episode one. Now, with the benefit of hindsight, all the value could be extracted from constituents such as the close but tense relationship between Gordon and his competitor colleague Tony Lawrence (played with unfailing competence as ever by Francis Matthews) in which genuine regard was mixed with genuine jealousy, real fondness with real bitterness.

What it comes down to in the end is that *Don't Forget To Write*, like all the most successful fiction on television, was shaped to exploit the medium's one unique property: its continuity—its ability to come back to the audience at home episode after episode and benefit from a cumulative familiarity. If the accumulation was slow in starting it was due almost entirely to a fault at the receiving and not the transmitting end.

Thames Television's *Rock Follies of 77* and BBC2's *Murder Most English* also take advantage of this property. They differ markedly from *Don't Forget To Write* but they too are enormously enjoyable and well able to sustain faith in television entertainment. They will be the subject of a future column.

George Cole and Francis Matthews in 'Don't Forget to Write'

Air Gallery

# Fluxus

by DOMINIC GILL

Fluxus was the Dada of the 1960s. It was hardly a "movement": a group of individuals rather (as the American painter George Brecht, a leading Flux-person, saw them) "with something unnameable in common, who naturally coalesced to publish and perform their work. Perhaps, this 'common something' is a feeling that the bounds of art are much wider than they have conventionally seemed, or that art and certain long-established bounds are no longer very useful."

There was no roll of members. The genial presence of John Cage, not himself directly involved, coloured and infused with its spirit, as it were at one remove, a diverse list of names: LaMonte Young, Takehisa Kosugi, Philip Corner, Ben Vautier, Toshi Ichiyanagi, Ayo, Dick Higgins, Tomas Schmit, Nam June Paik. Fluxpieces, Flux-events were exuberant Dadaist offerings, happy, anarchic conceits. They strove, as George Maciunas, the chief protagonist of Fluxus as a publishing movement, believed, "for the monostructural and non-theatrical qualities of the simple, natural event, a game or gag: the fusion of Spike Jones, vaudeville gag, children's games and Duchamp."

Whether Fluxus was serious, or funny, or not at all serious, or not even particularly funny, no one seemed able (or particularly willing) to decide. George Brecht's *Motor Vehicle Sundown (Event)* called for a number of cars to gather at dusk, to switch on their engines, and to act according to the directions on a set of instruction cards: a humorous event with undercurrents of strangely sentimental, almost Ivesian seriousness. Other titles were self-explanatory: *Comb Music, Drip Music, Candle Piece for Radios* (lasting as long as its birthday-cake candles burned), *Three Aqueous Events, Poem for Chairs, Tables and Benches, etc. or Other Sound-Sources*. Some were severely impractical. In Paik's *Danger Music No. 5*, yet to receive its world premiere, the performer was instructed to crawl into the vagina of a living female whale.

On Monday night at the Air Gallery in Shaftesbury Avenue a group of young Musicians/Artist/Composers looked back to the 1960s with a Grand Fluxus Retrospective—though "grand" was never a Fluxword, and no more described the Retrospective itself, essentially a very gentle and amiable nostalgic affair. There was little here of the outrageous, violent face of Fluxus; Keith Potter alone, after leaving the room to perform Ben Vautier's *I Will Be Back In Ten Minutes*, returned to disturb the calm surface of the evening with a ripple of Fluxanguish by destroying a violin with a saw. But Ben Mason cut and tore to pieces the screen of Kosugi's *Film* with real elegance and restraint. As Jon Drinkwater quietly swept the gallery of all traces of Yoko Ono's *Sweep Piece*, the pint of water instrumental to his performance of Yoko Ono's *Disappearing Piece* quietly boiled away. Howard Skempton and Ben Mason sustained their single chords on accordion and violin respectively throughout most of the evening: Michael Nyman played LaMonte Young's *X for Henry Flynt* on the piano, sounding an updated Fluxchord of the dominant seventh 793 times—or was it 804? The finale of the concert, LaMonte Young's *Poem for Chairs, etc.*, went on for a long time; and when it had finished, everyone seemed to agree that it had made its point.

French Institute

# Le Jardinier et son Seigneur

A one-act comic opera about an irritatingly pretentious gardener and his coy daughter's attractiveness to the local *Seigneur* and his entourage—with added romantic complications in the form of a singularly feeble village harber—all written by a composer more famous for his skill at chess than music might seem a recipe for an acutely unfunny evening's entertainment.

But in the hands of the Opera Buffa Society, helped along by hospitality from the French Institute, André Danican Philidor's little pre-*Figaro* tale of 18th-century class distinction proved almost completely captivating. From the opening Mannheim-style overture, it was clear that the music had a vigour and liveliness of its own, even if its style was an amalgam of mid-century fashions rather than anything individual. While one or two arias approached the dullest clichés of the *galant*, several of the ensembles (always the foundation of the *opera buffa*) were splendidly original: a marvellous Quintet of cross-identification "Vengez-nous" which pointed forward in a direct line to the Figaro Sextet, and a clever ensemble "Elle est charmante" which looked as if it was going to be a quartet (for the *Seigneur*, the gardener, his wife and daughter) but was in fact a trio with the daughter assuming the role of the first dumb brunette in music.

As the petulant would-be centre of attention, Michel Trempont had some difficulty scaling down his interpretation to the small theatre of the French Institute: it came out like Roy Kinnear as Touchstone parodying Geraint Evans as Leporello. Felicity Lott, in lovely voice, was far too aristocratic to be his wife: she should have been the wife of the *Seigneur* (a rather bland Emile Belcourt), but he was surrounded by two pouting "actresses" (Sally Bradshaw and Jaqueline Parre) who depressed the art of vulgarity to new depths.

Ronald Murdoch brought a cool, light *galanterie* to the barber's unrewarding music, and won the amorous, amply voiced Fanchette (Frances Gregory) in the end. Andrew Greenwood prompted Tony Britten in a song of welcome for the *Seigneur* so delightfully ineffective and unsure that even the expertly neat conductor, Nicholas McGegan, seemed not quite sure what they were up to. The instruments of the Opera Buffa Society played crisply (for once, in a theatre small enough to capture their sound), and read from copies of the original 18th-century parts. The whole was produced with a gently genuinely humorous touch which only once or twice cloyed, by Hugh Vickers.

NICHOLAS KENYON

EUROPEAN NEWS

# W. Germany calls for enlarged EEC but no big budget rise

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT

BRUSSELS, May 24.

WEST GERMANY is pressing its Common Market partners hard to admit Greece, Portugal and Spain to the European Community as soon as possible, but it has also indicated that it is strongly opposed to any substantial increase in the level of agricultural spending by the EEC after it is enlarged.

At last week-end's private meeting of EEC Foreign Ministers at Leeds Castle, near Maidstone, Herr Hans-Dietrich Genscher of Germany is understood to have acknowledged that the admission of new members heavily dependent on agriculture would lead to changes in the Common Agricultural Policy (CAP).

But he is reported to have argued that higher spending on Mediterranean products like wine and citrus, of which Spain, in particular, is a major producer, must not lead to a large rise in the total cost of the EEC budget, and would have to be balanced by reductions in the level of EEC support to predominantly northern European products like milk and cereals.

Herr Genscher's tough remarks appear to be directed principally at the French Government. France's cereal and dairy sectors benefit heavily from EEC support but France, together with Italy, is also seeking an extension of the CAP to protect its Mediterranean agricultural interests from the threat of Greek, Spanish and Portuguese competition.

However, there is some doubt in Brussels over how far Herr Genscher will press his case. It seems certain to be vigorously contested inside Germany by Herr Josef Ertl, the powerful Agriculture Minister, who is a stalwart defender of the interests of dairy farmers in his native Bavaria.

## Wavering

Nonetheless, the French Government has already yielded, after a period of wavering, to pressure from Athens and other Common Market Governments and agreed not to try to delay the admission of Greece, which has been negotiating on membership with the EEC for more than nine months.

There had been indications that France was seeking to make the achievement of CAP reforms a pre-condition for Greece's admission to the EEC. In an apparent retreat it now appears to be trying to tie these reforms only to the entry of Portugal and Spain.

But in the view of some Community observers, France's insistence on these demands is likely to set it on a collision course with Germany and Britain. Both these Governments argue that the early entry of the new Mediterranean members into the EEC is important for bolstering their fledgling democracies and for cementing the position of Greece and Portugal within the Nato alliance.

According to well-informed sources, a strong consensus emerged from last week-end's meeting in favour of radical changes in the structure of the EEC Commission and in the workings of other Community institutions as a preparation for future enlargement.

## Favour

Most Governments are now understood to favour the appointment of only one Commissioner by each Community member, regardless of its size. At present, Britain, France, Germany and Italy all nominate two Commissioners while the five smaller countries appoint one each.

As currently envisaged, this change would take effect when the next Commission takes office at the start of 1981, by which time it is expected that Greece will have joined the EEC as its 10th member and that entry negotiations with Portugal and Spain will be well advanced.

The change, which would require an amendment to the Rome Treaty, is strongly supported by Mr. Roy Jenkins, the Commission President, and by the British, French and German Governments, though some of the Benelux countries are understood to still harbour reservations.

Their concern has been aroused particularly by a suggestion advanced by M. Louis de Guiringaud, the French Foreign Minister, that in future the Commission should be run according to a system similar to the United Nations Security Council. On this model, Commissioners named by the big countries would have the right to permanent seats, while those from smaller countries would be assigned a limited number of portfolios on a rotating basis.

The smaller countries fear that such a system would lead, in effect, to the establishment of a directorate inside the Commission, which would concentrate decisions in the hands of bigger countries.

# Sweden labour row grows

BY WILLIAM DULLFORCE STOCKHOLM, May 24.

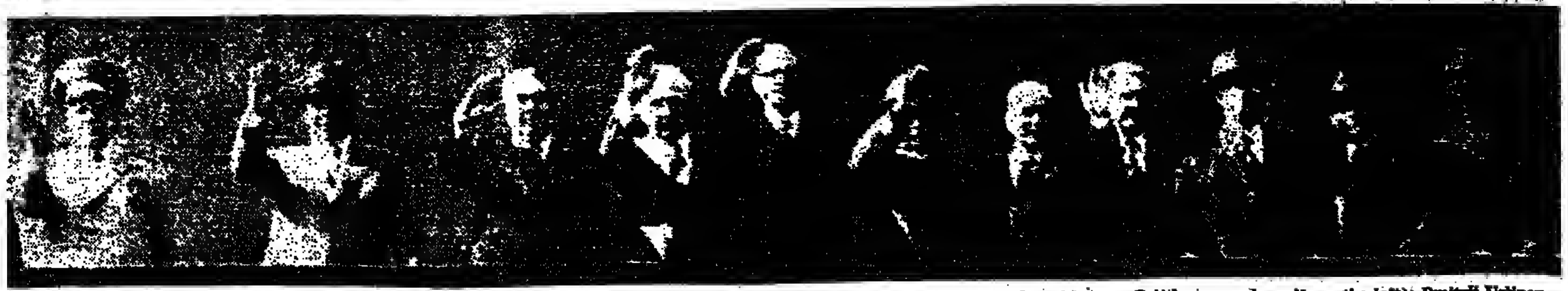
SWEDEN EDGED closer to its worst labour conflict for nearly 70 years to-day after the white-collar workers' federation PTK last night replied defiantly to the employers' lock-out threat with notice of extended strike action.

The employers say they will lock out 220,000 PTK members on Thursday morning, unless the federation comes to terms in the national pay talks which have been dragging on since October.

PTK says it will pull out a further 50,000 employees on the following Wednesday, June 1, spreading the lay-off to computer operators and shipping officials. The PTK action would also make it impossible for a further 50,000 unorganised employees to work.

In the middle is the blue-collar labour federation LO, which has accepted a compromise settlement suggested by the official arbitrators.





GONE: Nikolai Podgorny (second from left), on the Lenin Mausoleum rostrum earlier this month to review the May Day parade with other Politburo members (from the left): Dmitrii Ustinov, (Podgorny), Leonid Brezhnev, Alexei Kosygin, Mikhail Suslov, Andrei Kirilenko, Viktor Grishin, Fyodor Kulakov, Andrei Gromyko, Kirill Mazurov, Arvid Pelshe.

# Podgorny's departure reduces weight of the Politburo old guard

MR. NIKOLAI PODGORNY'S removal from the Politburo is the second departure since it was elected at the last party congress in February 1976, and it brings membership down to 14. Marshal Grechko, the Defence Minister, died last spring.

Politically, Mr. Podgorny's disappearance does not significantly alter the political balance of the Politburo since he was a middle-of-the-roader of no pronounced views. But it cuts the ranks of the Politburo old guard and therefore makes way for the growing number of members in their fifties and early sixties.

The Politburo now has the following full members, in what is believed to be order of precedence:

Leonid Brezhnev, 70, General Secretary. Unquestioned leader, and the object of a growing personality cult. Mr. Podgorny's departure leaves him with only Mr. Kosygin to reckon with in the "collective leadership." His state of health is uncertain, but he has turned down several chances to retire voluntarily and with honour.

Nikolai Kosygin, 73, Prime Minister. One of the original triumvirate, he has proved most durable despite illness and Mr. Brezhnev's political ambitions. Has probably survived because of his experience in economic affairs and moderate views, but could be too old to succeed Mr. Brezhnev.

Mikhail Suslov, 74, the party's chief ideologue and eminence grise generally thought to be the Politburo hard-liner. Appears on rare occasions to pronounce on ideology and foreign affairs, but despite his prestige is on the political decline.

Andrei Kirilenko, 70, steady member of long-standing (15 years) with interests in industry and ideological affairs. Frequently deputises for Mr. Brezhnev, whom he strongly supports, and could be a short-term successor. Has dealt with Yugoslav and West European Communist parties.

Arvid Pelshe, 78, head of the party control committee, and the Politburo's oldest member. A Latvian. His survival despite his years casts doubt on the theory that Mr. Podgorny was dropped because of old age.

Kirill Mazurov, 63, First Deputy Prime Minister and head of the Byelorussian party, a capable economic administrator and a man who has frequently been tipped as a future prime minister. Is thought to hold moderate views on economic and international affairs.

Victor Grishin, 62, head of the Moscow party organisation, having come up through the trade unions. Is not a prominent figure, but his age and record count in his favour.

Dinmuhamed Kunaev, 65, head of the Kazakhstan Party and a member since 1971, an unlikely leadership contender because of his regional background. Has travelled widely in East and West and is a doctor of technical sciences.

Vladimir Shcherbitsky, 59, head of the Ukraine party and a member since 1971 following a purge of the Ukrainian leadership. Very much a Brezhnev man, he has moved sternly against Ukrainian nationalism, but as with all regional secretaries, his future in the Kremlin is uncertain.

Andrei Gromyko, 67, Minister of Foreign Affairs. Despite his international fame is not a leadership contender. Was only elected in 1973 after 17 years as minister, probably to emphasise Kremlin interest in détente. His international experience offset the narrower interests of many Politburo members.

Fyodor Kulakov, 59, one-time head of the party's agricultural department and therefore in a risky political position, his precise responsibilities now are not clear. But as one of the youngest members, clearly a man to watch.

Yuri Andropov, 62, chairman of the KGB. Notorious because of his post, but a member of only four years' standing. His reputation as a hard-liner may be exaggerated, but he is unlikely to step up directly into a top job from the KGB.

Dmitrii Ustinov, 68, Minister of Defence since Mr. Grechko died last year and therefore associated with Kremlin hawks. Even so he got the job more due to his experience in defence industries than as an ideologue or militarist. Has only been a full member for one year.

Grigory Romanov, 54, Leningrad party chief, and a member of only one year's standing. Is clearly close to Brezhnev, who has praised him publicly. Has youth, a good political base and economic experience in his favour, but might not survive if Brezhnev were toppled.

# Way clear for Belgian coalition

By Robin Reeves

BRUSSELS, May 24.

FOUR OF Belgium's political parties agreed to-day on a plan to defuse linguistic conflicts in the Brussels area, opening the way to the formation of a new coalition Government under the leadership of Mr. Leo Tindemans. It may also help towards giving Belgium a federal constitution based on its Dutch and French speaking communities of Flanders and Wallonia, and bi-lingual Brussels.

The deal was concluded, after all-night negotiations between Mr. Tindemans' Social Christians, the largest Belgian party, which emerged from last month's elections greatly strengthened; the second largest group, the Socialists, and two "regionalist" parties — the Flemish, the Folksunie and the French-speaking party of Brussels, the FDF.

The four groups had already agreed on a common programme covering economic and social issues. These, together with the proposals for defusing the linguistic problem package agreement, will now go to special congresses of each party for almost certain ratification later this week, allowing the formation of a new Government probably by next weekend. For the past five weeks since the Belgium general election, Mr. Tindemans has been acting as caretaker Prime Minister while seeking to establish a majority coalition in the new Parliament.

Assuming the four parties form a coalition, it will have 173 votes in the 212-seat Parliament, more than the two-thirds majority needed to amend the constitution.

# HOLLAND'S HOSTAGES

AS THE Dutch Government sought last night to match its show of military force surrounding the South Moluccan gunmen with tough counter-demands, a potential mediator was flown up to Assen in a Government aircraft, writes David Buchan. The man is believed, among other things, to have been a former teacher of some of the gunmen.

The waiting game of bluff and counter-bluff is being played on the Dutch side with hundreds of paramilitary police, armed with M1 carbines, and soldiers with armoured cars, plus a unit of the Royal Dutch Marines. These forces are holding a ring around the Moluccans and their hostages, and also preventing anyone from venturing within 500 metres of the school.

For the first time since the double hi-jacking early Monday morning, food and blankets were taken to the train to-day. Similar supplies were refused this afternoon by the Moluccans for the school, which received them yesterday. Some shots were fired to-day from the school at a woman who broke through the army cordon and ran up to the building. However, she was not a deranged mother, the authorities said, but mentally disturbed, and the gunmen insisted that two policemen strip to their underwear before going in to take her away.

The traditional waiting tactics of Dutch Governments in these highjacking cases is complicated by two considerations, Dutch officials admitted last night. First, the knowledge that not all of the hostages in the 12-day train siege in December, 1975, escaped unharmed, three were killed. Second, and this is put bluntly, the Government has to bear in mind that any action it takes to-morrow could well affect polling results.

The general consensus here is that it is the Moluccans who have learnt most from their hijackings 18 months ago. At that time they seized the Indonesian Consulate in Amsterdam and also a train many miles away. This time the overt operation was evidently much better planned—with the school and the train only a few kilometres apart, a clear though complicated escape plan, and prior co-ordination between the two groups of gunmen in the school and in the train. It is the gunmen, in the train, officials say, who are clearly in command, even though there is no communications link between the two.

Reuter adds: In Jakarta yesterday, the Indonesian Government issued a statement condemning the guerillas' action but making it plain that it considers the matter an internal Dutch problem.

"The Indonesian Government regret the incident and condemns any form of terror. It hopes the Dutch government will be able to cope with this problem," the statement said.

But Foreign Affairs sources added: "This is not a matter for the Indonesian government because no Indonesians are involved. All are Dutch citizens." Other Indonesian government sources said they thought it would be unlikely that the Government would grant landing rights to any aircraft that the terrorists might ask to be flown to Indonesia.

# Prospective partners pull their election punches

BY MICHAEL VAN OS IN THE HAGUE

CAMPAIGNING for to-day's general elections in Holland, so abruptly ended by the South Moluccans' seizure on Monday of a passenger train and a primary school, has been conducted in a very low-key style by the three main Dutch political groupings: the Socialists, fighting to remain Holland's largest party, the Christian-Democratic Appeal (CDA), their main coalition partner, and the moderate conservative opposition liberal party, the VVD.

One thing about to-day's poll is clear at least: it will eventually result in another coalition, as every election has done since the war.

Until March 22, the day the five-party socialist-dominated cabinet collapsed, a cabinet of similar composition again led by the widely respected Socialist Premier Dr. Joop den Uyl was generally expected to succeed it having taken a record 164 days to set up, the coalition appeared solid enough to last out almost the whole of its four-year term. It was the first government in which Labour had participated since 1966, and the first led by a Socialist premier in almost 20 years.

Its unexpected collapse made the shape of the next cabinet—the only other real alternative being a liberal/christian-democratic coalition like most previous coalitions—much more uncertain. It ostensibly fell over "insurmountable differences" about compensation for land appropriated for building schools, hospitals, roads, etc.

That the coalition should have collapsed over this issue however still bewilders the Dutch public, even now, particularly since compromises had been found on more explosive matters and sensitive decisions had often been cunningly postponed.

One reason why it could fall apart over this issue is probably to be found in the rising tension between socialists and Christian-democrats and the resurgence of confessional politics in Holland with the formation of the CDA by the three main Christian democrat parties last year.

An important and controversial part in the cabinet's downfall was played by Mr. Andries van Agt, the Deputy Prime Minister. A Roman Catholic, he is heading the CDA in the election campaign where his chief opponent, next to the liberals, is Mr. den Uyl, the Prime Minister—a "rather comical situation," to quote the latter. Mr. van Agt, has made himself unpopular at times, notably over his handling of the case of the suspected war criminal Mr. Pieter Menten. He personally crusades against abortion law reform and against pornography as "commercial exploitation of women."

The Christian-democrats initially gained in popularity after the formation of the CDA. But various opinion polls since March 22 have shown that much of the electorate is blaming the CDA for the Government's collapse, with labour and the VVD contentedly picking up the votes.

Two major polls published before the week-end showed the Socialists and the Christian-Democrats in a cliff-hanger race to become the largest party with the socialist PVDA having a slight edge. It would command 43-46 seats out of the 150, compared with 43 in 1972; followed by the CDA with 47-45 (48 in 1972) and the VVD 28-26 (22 in 1972).

The small Radical left-wing PPR party, one of the three social-democratic Government partners along with the Democrats' '66 (D'66), decided after March 22 it would not govern again with the Christian-Democrats.

One of the polls also showed this month that 61 per cent. of those interviewed preferred a continuing social-democrat/christian-democrat coalition, and 31 per cent. wanted the latter to switch to the VVD. The polls also showed the continuing popularity of Mr. Joop den Uyl, who has ably managed to weather storms such as the Arab oil embargo, Prince Bernhard's involvement in the Lockheed payoffs scandal, and various hostage dramas. Mr. van Agt was supported as premier by 37 per cent. of the people, Mr. den Uyl by 57 per cent.

There have been no outstanding issues in the campaign to date. All three groups are concerned chiefly with the fight against unemployment and how to adapt to lower economic growth. All propose a cutback in the growth of public expenditure, with the socialists predictably offering the lowest reduction and the liberals pushing for a standstill in public spending. All parties also are firmly convinced of the need to further combat inflation in which some progress had been made so far this year.

The main party leaders have carefully avoided outspoken statements on controversial issues such as nuclear energy, abortion law reform and the need to clip Holland's highly expensive welfare system in the face of the economic slowdown and, more importantly, the quickening depletion of the country's vast natural gas reserves and the huge export earnings deriving from them. This avoidance of controversy clearly reflects the knowledge that two of the three will soon have to be partners again.

The Socialists, though refraining from being too critical of the CDA, despite the debacle in March, have set an "entrance exam" for their participation in any new coalition. Before the formation of any such coalition they want "cast iron"—but presumably negotiable—guarantees that several social reform proposals not passed in previous years will become law this term. These are land reform, increased worker participation, and some State influence over investments by means of selective subsidies.

The CDA wants to come to terms over abortion law, but has totally rejected the "exam."

Income redistribution is another main issue: the liberals reckon it has gone too far, the Labour Party says not far enough, and the CDA says far enough.

In response to the "exam" and the socialists' demand to control at least half of the 16 ministries (they now have 10) with Mr. Den Uyl to remain as premier, the CDA have refused to declare with which party it would prefer to govern.

Although a liberal/christian-democrat coalition can by no means be ruled out, the odds are still just in favour of a continuation of the present coalition. But it is likely that the socialists will operate from a weaker position than in the past. The next government is unlikely to be able to repeat the present one's claim that it has been "the most left-wing" in Dutch parliamentary history."

POLITICAL MAKE-UP OF 150-SEAT PARLIAMENT

| | Seats won at last election (Nov. 1972). | |
|---|---|---|
| †* Labour (PvdA) | 43 | Left wing |
| †§ Catholic People's Party (KVP) | 27 | Centre |
| Liberal Party (VVD) | 22 | Right wing |
| †§ Anti-Revolutionary Party (ARP) | 14 | Left of centre |
| § Christian Historical Union (CHU) | 7 | Right of centre |
| Communists (CPN) | 7 | Communist |
| †* Radicals (PPR) | 7 | Left of Labour |
| †* D'66 | 6 | Left of centre |
| Democratic Socialists (DS'70) | 6 | Centre |
| Others | 11 | |

† Coalition member
* Member of "Progressive Three"
§ Member of Christian Democrat Group (CDA)

# Court dispels fear of interim relief delay

By A. H. Hermann

THE EUROPEAN Court in Luxembourg ruled yesterday that national courts in the EEC are not obliged to ask the European Court for a preliminary ruling on points of Community law during proceedings for interim relief.

In deciding the action of Hoffman-La Roche v. Centrafarm, the Court ruled that the duty of national courts, from whose decision there is no further appeal, to refer Community law questions to Luxembourg is not applicable to proceedings for interim relief when the parties can make the issue the subject of an ordinary action.

However, the national courts remain free to refer such matters to Luxembourg.

The decision will be welcomed in Britain and West Germany, and it is in step with the expressed views of Whitehall and Bonn.

# Owen affirms EEC commitment

BY OUR OWN CORRESPONDENT

BRUSSELS, May 24.

DR. DAVID OWEN, the British Foreign Secretary, sought this evening to rebut accusations that the U.K. Government was flagging in its commitment to Europe, arguing that the EEC was strengthened rather than weakened by vigorous dissent between its members.

In his first major public address on the EEC since his appointment, Dr. Owen told the International Press Association in Brussels: "No member country should be ashamed to stand up for its interests. I cannot believe that anyone who has the Community's interests truly at heart would want it otherwise."

However, while stressing his personal attachment to the principles and ideals of the EEC, the Foreign Secretary said the Community must not be considered "an exclusive commitment," and that Europe must maintain a close and influential relationship with the U.S., especially in the field of trade negotiations, energy, and economic policy.

"It is fanciful to deny this proposition, or to try to set up a false antithesis between co-operation with the Americans and preserving a European identity. We should develop the relationship to our mutual advantage."

Clearly nettled by recent suggestions that Britain had placed its own national interest above that of the Community as a whole since it took over the presidency at the start of this year, Dr. Owen sought to present the EEC's achievements over the past few months in a positive light and blamed the Press for taking too negative an attitude.

In particular, he appeared unrepentant about the controversy created by the tactics adopted by Mr. John Silkin, the U.K. Agriculture Minister, during the recent negotiations of EEC farm prices. Instead of talking "crisis and deadlock," he said, newspapers should have reported the resulting 3½ per cent. rise in prices as a "triumph."

He also defended the U.K. approach to the revision of the common fisheries policy and hailed the Community's declaration of a 200 mile limit and the opening of fisheries negotiations with the Soviet Union and East European countries as major achievements.

Conspicuously absent from Dr. Owen's speech, however, was reference to the planned direct elections to the European Parliament.

Like his predecessor, Mr. Anthony Crosland, Dr. Owen laid heavy emphasis on the political importance of responding positively to EEC membership applications by Greece, Portugal and Spain. The Community had a duty to support the fledgling democracies in these countries by accepting them into its midst, he said.

He also made clear that, in the British view, the negotiations with each applicant should be pursued separately and not linked together as some EEC members, notably France, have suggested.

Dr. Owen's speech seems likely to be read by Britain's Common Market partners as an affirmation of the policies and tactics which the Government has espoused in recent months and carries no suggestion that the U.K. will flinch from unpopularity in pressing its case in future negotiations on major and sensitive issues over the coming months.

# Go-ahead for drilling off Greenland

By Hilary Barnes

COPENHAGEN, May 24.

THE DANISH Government to-day decided not to postpone drilling for oil and natural gas off the west coast of Greenland. The question of postponing the three or four wells which concession holders plan to drill this summer arose after the Bravo platform blow-out.

After discussion with Greenland politicians, some of whom are opposed to exploration for oil in Greenland waters, and a review of safety procedures, the Government concluded that drilling could go ahead. In accordance with the Danish regulations, each well has to receive separate approval.



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# Eastern unlikely to buy A300 European Airbus

BY JOHN WYLES

NEW YORK, May 24.

Y CHANCE that the European Airbus consortium's recent "free of charge" leasing deal with Eastern Airlines might lead to an order for its A300 design appear to have been removed to-day by Mr. Frank Borman, Eastern's chairman and chief executive.

The former astronaut, who is credited with being the architect of a strong improvement in Eastern's fortunes over the past months, said in Los Angeles to-day that it was "not only a possibility but a probability" that Eastern will be buying some of its projected new fleet of medium-range, wide-bodied jets from U.S. manufacturers.

Mr. Borman's statement comes only a day after the revelation that the Airbus Industrie consortium are so keen to capture orders from Eastern that it is making no charge for the lease to the U.S. airline for four A300's for six months from December.

The manufacturer now knows for certain from Mr. Borman that its generous marketing will not result in the full 50-fleet order. However Eastern's chairman offered no other clues about what proportion of his new fleet would be built in the U.S. and Airbus Industrie may yet have a great deal to play for.

Mr. Charles J. Simon, Eastern's vice-chairman disclosed in Los Angeles that he would be starting negotiations with the European consortium next month. But "a clear determination" on the purchase of the A300 would not be made until next spring after it had been evaluated in service.

Mr. Simon added that the A300's purchase price would be about $23m. each, but, as the first U.S. buyer, Eastern would expect a discount on the aircraft.

Outlining Eastern's buying schedule, Mr. Borman revealed that the 15 new aircraft would be acquired in the years up to 1990. He thought that U.S. manufacturers would have a similar design to the A300 ready by 1983 or 1984. Boeing, McDonnell Douglas and Lockheed all have projects for such a jet, and Mr. Borman made no attempt to hide the fact that Eastern is currently talking to Boeing and McDonnell Douglas.

# Argentina guerillas killed by army

Security forces, apparently all Army units, are reported to have surprised guerillas meeting in Monte Grande 20 miles west of Buenos Aires early yesterday and to have killed 16 of them in a gun battle, writes Robert Lindley in Buenos Aires. Three members of the security forces were wounded in the action.

Early yesterday—apparently in a bid to mar to-day's Independence Day festivities—guerillas shot dead two non-commissioned provincial police officers in Bernal, south of Buenos Aires, and a retired federal police officer as he was entering his home in Buenos Aires. A terrorist bomb also damaged a Buenos Aires synagogue but wounded no one.

## Ecuador constitution

A step which may lead to a return to democratic government in Ecuador has been completed with the presentation of two draft constitutions to the ruling military junta, Sarita Kendall writes from Quito. Two civilian commissions had been working on the drafts. One is a reform of the 1945 constitution, while the other is a new project. According to the government plan, the electorate is to choose a constitution by referendum during the first half of 1978, and presidential elections are to follow soon after.

## Chile prisoners

The Chilean Foreign Ministry has announced that "some time ago," Chile sent to foreign exile 10 named prisoners who were serving long sentences for violation of arms control, internal security and military laws, Robert Lindley writes from Buenos Aires. Apparently the announcement was made now as part of the Pinochet regime's repudiation of the "premature" release by the Organisation of American States of its report condemning the Chilean Government's violation of human rights.

## Pollution control

Douglas Costle, Environmental Protection Agency (EPA) administrator has said that President Carter's plan to convert industry and utilities to coal can be accomplished without increased environmental damage from emissions, AP-DJ reports from Washington.

## Canadian pipeline

The Canadian Government has not made up its mind that the Mackenzie Valley pipeline project is dead, despite recommendations against the route by Judge Thomas Berger of British Columbia, AP-DJ quotes Mr. Alistair Gillespie, Canada's Energy Minister, as saying in a television interview.

# Further rises in U.S. prime rates expected

BY STEWART FLEMING

NEW YORK, May 24.

ANOTHER ROUND of increases in U.S. commercial bank prime rates is being confidently predicted by money-market analysts and bankers on Wall Street. Disagreement centres not on whether the prime rate will rise from the 6½ per cent. level established by Citibank's initial move on May 12, but on whether the increase will be to 6¾ per cent. or 7 per cent.

The prime rate is the rate commercial banks charge their best customers for loans.

The timing of the move is also uncertain, with some analysts predicting that the increase could come as early as this Friday and others suggesting that the move could be delayed for another week.

But as Mr. Len Santow, an economist of Schroder's in New York puts it "the question is not will the increase come, a 6¾ per cent. prime rate is already in the bag. The question is whether the banks will move up to 7 per cent. in spite of weak loan demand in the big money centre banks based in New York."

The very sharp upward adjustments in short term U.S. interest rates over the past month are producing a flurry of forecasts of further increases. Thus Mr. James J. O'Leary, vice-chairman of U.S. Trust, has forecast that between now and early autumn 1978 the prime rate could rise by between two and two and a-half percentage points.

"I expect interest rates to rise gradually in the next four or five quarters both as a result of demand-supply relationships in the credit markets and Federal Reserve policy actions," Mr. O'Leary said.

Mr. Alan Lerner, Vice-President in charge of money market operations at Bankers Trust in New York, suggested to-day that a move to 6¾ per cent. later this week was a strong possibility. He pointed out that the banks had shown an inclination to move the prime rate up quickly, and since loan demand was weak in the money centre banks, an upward move would not be seen as likely to frighten away new customers.

Recent increases in short term U.S. interest rates over the past four weeks explain the forecasts of a higher prime rate. These rises in turn reflect largely the moves by the Federal Reserve Board to tighten up on the supply of credit to the economy in order to contribute to controlling inflation.

In the last week of April the FED began to tighten its credit policy by allowing the rate of interest on federal funds—the reserves banks lend to each other—to rise by about ½ a percentage point to 5¼ per cent. Now money market analysts are convinced that the FED has tightened credit again with the evidence of another firming move accumulating since Friday of last week.

Analysts estimate that the Federal Reserve's FED funds target rate is now 5½ per cent. Thus while the FED has moved the rate up fully ¾ of a percentage point in less than a month, commercial bank prime rates have moved up only ¼ of a percentage point.

Another indicator is the sharp increase in the interest rate of 90-day commercial paper—a key rate because some banks including Citibank base their prime rate on a formula linked to an average of 90-day commercial paper plus 1¼ percentage points.

Currently the rate on 90-day commercial paper is around 5.5 per cent., up from 5.19 per cent. two weeks ago.

# Tidal power studies by Nova Scotia

By Lynden Watkins

HALIFAX, May 24

THE NOVA Scotia Government has begun preliminary work on a prototype tidal power development at an inlet on the Bay of Fundy. Through its Tidal Power Corporation, established in 1971, the province has authorised pre-engineering studies for a 10 to 20 megawatt test generating unit planned for the Annapolis River in Western Nova Scotia.

While th authorisation is less than a commitment to actually build the proposed unit, it is the furthest Nova Scotia has so far come to launching itself into tidal energy. Th province is more than 80 per cent. reliant on oil for electric power production and recent price increases have increased public pressure for the development of alternative power sources.

Three Quebec-based companies have ben asked to report on the feasibility of using causeway across the river near Annapolis Royal as the power site and to recommend on equipment. This is expected to lead to construction of the prototype unit.

The provincial decision was taken independent of other studies underway into tidal power production by a federal-provincial review board. These have identified three large potential power sites ranging in size from 750 to 3,200 megawatts. Estimated development costs range from $1.2bn. to $3.7bn.

Ottawa has rejected any involvement in tidal power production in the past, considering development of Fundy tidal energy uneconomic. But, with rising oil costs, the margin between tidal and oil produced electricity has decreased substantially. Some people believe tidal power is already a competitive alternative.

A big unknown, however, is the extent to which the barrage and turbines of a Fundy power scheme would be affected by estuary silt. A recent study of causeway construction on two rivers leading into the bay has shown a massive accumulation of silt and changes in both tidal range and flow rates.

Mudflats have appeared near causeways built on two rivers in Nova Scotia and New Brunswick and on one of them navigation has become impossible

# Aluminium wage deal offered for ratification

MIAMI BEACH, May 24.

TENTATIVE aluminium-contract settlements to be presented to the United Steelworkers union local presidents for ratification later to-day call for wage rises of 95c an hour over three years, according to a USW statement.

Wages in the primary aluminium industry average $7.58 an hour, according to latest Government figures.

The proposed wage increases are as follows—55c an hour next Monday, including a 15c cost of living increase, and four rises to take effect in December this year, in June, 1978, in December, 1978, and in June, 1979.

Expanding an income security programme for workers with 20 years service established earlier among steelmakers, the aluminium industry's tentative agreement sets a three tier plan to provide supplementary unemployment benefits for laid off workers as follows: up to 52 weeks for workers with two to ten years' service, up to 78 weeks for workers with ten to 20 years' service, and up to 104 weeks for workers with 20 or more years' service.

A full text of the proposed settlement was not immediately available. But the USW summary did not mention any plan to continue automatic cost of living adjustments for retirees that had been hailed as historic when they were won in aluminium and can contracts in 1974.

AP-DJ

# Israel, oil prices to top Carter-Fahd talks agenda

BY DAVID BELL

WASHINGTON, May 24.

CROWN PRINCE Fahd of Saudi Arabia was formally welcomed to Washington to-day by President Carter at the start of a visit which the Administration regards as particularly important in the light of the unexpected success of the Likud party in last week's Israel elections.

But the two leaders will also be discussing Saudi efforts to keep down increases in the world price of oil and President Carter's recently announced energy plan. American newspaper readers were reminded in full page Saudi advertisements to-day that the Kingdom is now America's major oil supplier and the only country with the capacity greatly to increase supplies in the future.

Prince Fahd is believed to be bringing with him a message from President Sadat of Egypt and President Assad of Syria following his meeting with both leaders last week. After that meeting Mr. Ismail Fahmi, the Egyptian Foreign Minister, said that the Arab oil weapon would be used if the new Israeli leadership refused to give up occupied Arab lands.

It is expected here that the Saudis will take a softer approach than this, but that Prince Fahd will emphasise that moderate Arabs now expect the United States to use all its influence with the Israelis. He is also likely to warn of the consequences of the new Israeli Government ignoring such pressure.

President Carter gave what appeared to be an implied warning of this during his speech in Indiana on Sunday. Warning of the "disaster" that might follow the breakdown of peace negotiations in the Middle East, the President noted that the U.S. expects the new Israeli Government to continue to accept resolutions 242 and 338 of the United Nations. Both of these commit Israel to return some captured territory in return for lasting peace. This is a commitment which Mr. Menahem Begin, the Israeli leader, says he refuses to accept.

The President's meeting with Prince Fahd is the last in a series that he has had with Arab leaders in the past few months. There is no doubt that the Administration attaches particular importance to its relationship with Saudi Arabia and one measure of this has been its successful approach to Congress to postpone further public Arab boycott hearings which had been scheduled for this week.

However, the Administration will in all probability not be able to tell the Saudis very much about their view of the new Israeli Administration since it has yet to be formed and the health of Mr. Begin poses yet more problems in assessing the likely make-up of a new Cabinet. Mr. Begin had been expected to come to Washington early in July but his current illness puts the timing of that meeting in doubt.

Other Middle East news, Page 6

# Lance warns on spending

BY JUREK MARTIN, U.S. EDITOR

WASHINGTON, May 24.

MR. BERT LANCE, the U.S. Budget Director, has warned that President Carter is ready to veto spendings Bills which he considers to be too high.

Mr. Lance's message, in an interview in the Washington Post, is that, if the administration is to achieve its stated goal of balancing the budget by the 1981 fiscal year, critical decisions have to be taken now. The President is due to start work on preparation of the 1979 fiscal year budget this week and will approach his task in the knowledge that "hard choices" cannot be delayed.

This is the philosophy of the Carter administration, which has been giving liberal Democrats fits in recent weeks. It became known to-day that Mr. Tip O'Neill, the Speaker of the House, who has defended the President against his liberal critics, had passed on the word in the White House that many Congressional leaders were concerned that the President might appoint Dr. Arthur Burns to another four-year term as chairman of the Federal Reserve Bank.

Mr. O'Neill, who dislikes confrontation politics, denied that he was opposed to Dr. Burns, considered to be the arch-conservative economist in Washington. But other congressional leaders have expressed surprise that the chairman has been present and vocal at meetings between the administration and themselves in the last few weeks.

Mr. Lance said that there would be little real growth in federal spending in next year's budget, which will be the first over which the Carter administration has full control. No specific targets had yet been set, he added, but Government departments had been advised that they could entertain no new major programmes, or sizeable expansions of existing ones.

He said economic projections showed that the budget could be balanced by 1981, even if growth fell below the 6 per cent. per annum goal which the administration has espoused. But he warned that funding for such ambitious projects as welfare reform and a national health system would only be available if "we get the highest economic projections."

Mr. Lance acknowledged that there were cabinet members who doubted that the budget could be balance by 1981.

# NYSE-Amex merger doubts

By John Wyles

NEW YORK, May 24.

MOVES to merge the New York Stock Exchange with the smaller American Stock Exchange appear to be faltering.

Significant opposition to merger proposals agreed earlier this year has emerged among the 1,559 listed companies on the New York Exchange, whose plan to introduce an options market in the summer has also raised a further obstacle to the marriage.

First returns of a questionnaire sent to all the New York Exchange's listed companies have revealed that three out of four object to various aspects of the proposals. Particular criticism is being made of the proposed creation of a single stock list for the two exchanges, and of the lowering of capital requirements for exchange specialists.

As a result, the New York Exchange's Board has asked its negotiators to review the proposals.

However, the Board of the New York Exchange has paved the way for starting options trading in the summer or early autumn by adopting a set of rules and constitutional amendments which are now being put out to the membership for ratification.

## OVERSEAS NEWS

# Likud seeks partner for a new coalition

BY OUR OWN CORRESPONDENT TEL AVIV, May 24.

LEADERS OF the dominant Likud bloc and the Democratic Movement for Change (DMC) met here to-day to explore their differences over Israel's peace frontiers and the prospects of forming a broadly-based coalition government.

Spokesmen for the two factions emerged from the two-hour session trying to leave the impression that a ruling alliance including the two factions was still very much a possibility.

It was unclear, however, just to what extent the absence of the Likud's ailing leader, Mr. Menahem Begin, contributed to this optimistic tone. Mr. Begin, the prospective Prime Minister, is unmatched by anyone in the Likud ruling councils in his doctrinaire insistence on retaining the West Bank of the Jordan.

The DMC election platform called for territorial compromise on all three cease-fire lines, within the framework of a comprehensive and final peace settlement with the Arab states.

The negotiations, which resume on Thursday, are expected to continue for at least two weeks before the participants reveal how far they are prepared to be flexible.

Mr. Begin, meanwhile, continued to undergo tests in a local hospital after feeling unwell late on Sunday. His doctors have determined that he did not suffer a repeat of the heart attack that struck him at the start of the campaign but a medical bulletin said they would not yet estimate when he can be released.

...Meanwhile, the outgoing Prime Minister, Mr. Yitzhak Rabin, appeared to be making a discreet though forceful move to wrest back control of the Labour Party from its defeated candidate, Mr. Shimon Peres, the Defence Minister.

Mr. Rabin met with his Justice Minister to discuss the legal implications of his decision to end a self-imposed leave of absence and reassume chairmanship of the Cabinet from Mr. Peres. The Prime Minister had yielded his functional powers when he gave up his party's nomination because of the scandal surrounding his wife's illegal foreign currency holdings in an American bank.

# War option examined by Arabs

By Our Foreign Staff

THE LEADERS of Egypt, Syria and Saudi Arabia, at their meeting in Riyadh last week, reviewed possible Arab reactions to the new situation created by the right-wing Likud party emerging with the most votes in Israel's general election. According to the Kuwaiti daily, al-Siyasa, yesterday, one conclusion was that a fifth Arab-Israeli war was likely this autumn.

The leaders—President Sadat of Egypt, President Assad of Syria and King Khalid and Crown Prince Fahd of Saudi Arabia — reviewed regional developments in the light of President Assad's talks with Soviet and U.S. leaders, and the victory of Mr. Menahem Begin's Likud party in Israel. The newspaper said that Prince Fahd, during his visit to Washington, which began yesterday, would link the question of oil prices with U.S. efforts to produce a settlement in the Middle East.

The talks seem to have acknowledged that disagreements between the Arabs would have to be patched up before a coherent policy with a war option could be presented. Al Siyasa identified three areas.

The first would be an ending of the long-standing quarrel between the Baathist rivals, Iraq and Syria. Mr. Muhsin al Aini, a former Prime Minister of North Yemen, is reported to have been involved recently in attempts to reconcile the two countries. Secondly, Egypt and Syria would begin military preparations, and the Press in both countries has drawn attention to recent military manoeuvres.

Thirdly, in relation to Lebanon, where some 30,000 Syrian troops are in the Arab peace-keeping force, it was felt that the 1969 Cairo agreement regulating Lebanese-Palestinian relations, was being adhered to, so that "there is no reason for a new explanation of that agreement." The newspaper added, "Syria has turned over a new leaf of co-operation with the resistance movement."

The fact remains that the Arab states have probably taken a measured view of the Israeli election, waiting to see what occurs in meetings between President Carter and whoever emerges as Israel's next Prime Minister.

# Australia spells out its nuclear safeguards policy

BY KENNETH RANDALL CANBERRA, May 24.

THE AUSTRALIAN Government has adopted an 11-point policy on nuclear safeguards to apply if, as expected it develops a uranium export industry. Mr. Malcolm Fraser, the Prime Minister, in a statement to Parliament to-day, said the policy was as stringent as that adopted by any nuclear supplier country.

Although earlier statements by Australian Ministers have left no doubt of the Government's general intention to enter the uranium export business. The Prime Minister's statement kept meticulously to an "if and when" formula on all specific issues.

The cabinet has yet to consider commercial aspects of the uranium policy, which will be based largely on the recommendations of its uranium environmental inquiry—the Fox Committee—whose final report will be released to-morrow. The safeguards policy has been settled early—at least in broad terms—to give Mr. Fraser a basis for discussion of future supply arrangements during visits to Europe and North America, starting on Friday.

However, the Labour opposition's shadow Minister on minerals and energy matters, Mr. Paul Keating, described to-day's policy statement as essentially political and inadequate. He said the Labour Party would continue to reserve the right, in the absence of effective safeguards, to veto unacceptable supply agreements when it returned to office.

Mr. Fraser said the special responsibilities of a uranium exporter implied selectivity in the choice of customers, as well as the closest attention to safeguards. "It is not the Government's view," he said, "that safeguards should be regarded as something to be balanced against commercial considerations. We view adequate safeguards as a fundamental prerequisite of any uranium export, which we would also expect responsible customer countries for Australian uranium readily to accept."

Mr. Fraser said the Government would set minimum conditions for countries eligible to receive Australian uranium—even though it also reserved the right to block exports to any country on foreign policy grounds.

Countries which did not already possess nuclear weapons would have to be parties to the non-proliferation treaty, thus ensuring that their entire civil nuclear industry was subject to verification that nuclear material, Australian or not, was not diverted from peaceful uses. With countries already possessing nuclear weapons, Australia would want assurance that any uranium she supplied would also be subject to verification by the International Atomic Energy Agency.

## Fraser CIA reassurance

BY OUR OWN CORRESPONDENT CANBERRA, May 24.

MR. MALCOLM Fraser, the Australian Prime Minister, said to-day that he was satisfied that the U.S. government and its representatives were not involved in any improper activities in Australia.

The Prime Minister's statement in this effect to Parliament follows four weeks of public debate on alleged Central Intelligence Agency activities, arising from the espionage trial in Los Angeles of Christopher John Boyce, convicted of selling information to the Soviet Union.

It is alleged that the CIA had been running operations inside Australia, unknown to the Australian government. Mr. Boyce, and the former CIA officer Mr. Victor Marchetti in Washington, have claimed that the agency had plans for monitoring Australian telecommunications traffic.

It has also been alleged that intelligence derived from the top secret Pine Gap communications base near Alice Springs was to be kept away from Australia, despite a secret agreement for joint operation and the sharing of information.

## UN force to stay on Golan

By Louis Fares

DAMASCUS, May 24.

THE MANDATE of the United Nations disengagement observer force, stationed in the Golan Heights between Syria and Israel since June, 1974, will be renewed at the end of this month for a further six months.

The force consists mainly of about 1,200 men, half of them Austrians and half Iranians. In the past, Syria had demanded concessions from the UN and Israel to accept renewal of the mandate.

## Bhutto meets PNA leaders

ISLAMABAD, May 24.

PRIME MINISTER Zulfikar Ali Bhutto of Pakistan last night met two opposition leaders to discuss the political crisis in which more than 340 people have died.

Sardar Abdul Qayyum Khan —former President of Pakistani-held Kashmir and one of the leaders of the Pakistan National Alliance (PNA), who was released from jail last week, called on Mr. Bhutto for half an hour last night.

Reuter

## U.S. team in S. Korea talks

SEOUL, May 24.

GEN. GEORGE BROWN, chairman of the U.S. Joint Chiefs of Staff, and Mr. Philip Habib, Under-Secretary of State for Political Affairs, arrived here to-day for talks with South Korean officials on the planned withdrawal of U.S. ground troops.

On arriving, Mr. Habib reiterated the U.S. commitment of the defence of South Korea, speaking on behalf of President Carter.

UPI

KENYA'S BAN ON SHOOTING GAME

# Killing the great white hunter

BY JOHN WORRALL IN NAIROBI

A NAIROBI newspaper headlined it "A farewell to arms." A stricken professional hunter advertised: "situation wanted, have gun will travel, good shot, reliable bodyguard for tycoon, guaranteed results if recruited into an anti-poaching unit." The hunter was bitter for his job, with that of about 115 others of his calling, had just been cancelled by the Kenya Government's surprise total ban last week on hunting wild animals.

leopard and zebra skins and other cash-earning trophies, but in order to gain control over the whole killing business, Kenya has decided to ban all hunting.

The Government is prepared to lose £500,000 a year on the sale of hunting licences, and must now lose considerable revenue from the cancellation of the many free-spending safari clients who come from America, Italy, France and Germany every

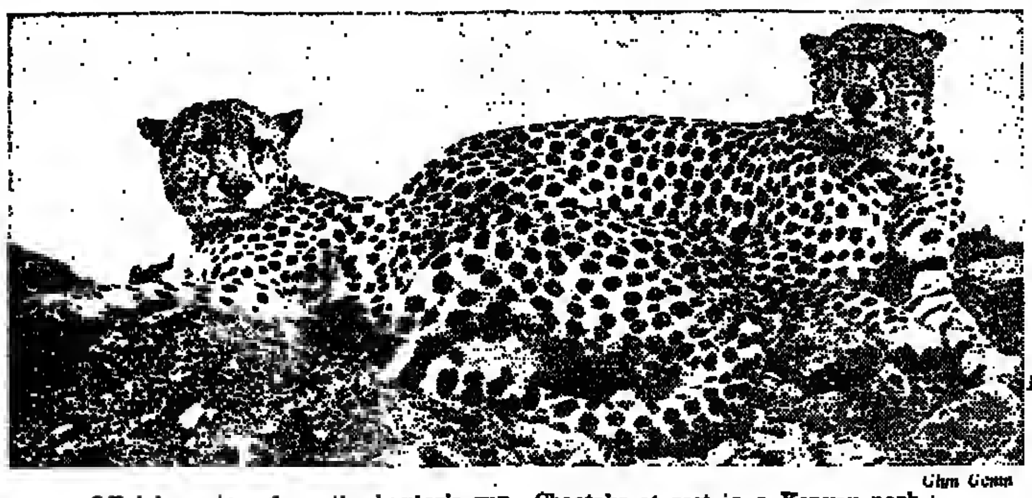
really only protecting their own financial interests."

Thus Kenya comes to the end of an era which has been romantically commemorated by Hemingway and other writers. With its fantastic herds of game, Kenya has been the lure for wealthy hunters for half a century. Many sought trophies for the library wall, status symbols for their wealth, courage and virility. Others, weary of boring

A one-client safari employing one hunter could cost $371 a day, plus the cost of drinks, hire of weapons, licence fees, taxidermy and shipping trophies home. A 30-day safari with several clients and perhaps two or three hunters could cost an average of $12,000. Many wealthy clients tip their professional hunters, some extravagantly if they have had a good bag. It is not unknown for a lucky hunter to find a Mercedes turn up for him in Nairobi.

Licences could cost from $750 to shoot a lion, a leopard or a buffalo (two allowed a year), to $200 for an eland or an oryx, and $50 for a gazelle or a kudu. In most places it is already banned to shoot an elephant, a cheetah, a lion or a leopard, and rhinos are protected almost everywhere.

A hunter with his own one-man business said he bad in the past few days cancelled four groups of hunters from America. "I shall lose a great deal of money," he said. The big safaris carried armouries of weapons, a fleet of transport, and sometimes aircraft, luxurious travelling camps with refrigerators and Turkish-carpeted tents, cases of whisky and champagne, and armies of trackers, gunbearers, skinners, spotters, local guides and camp servants. It has all been going on up to last week.



Official reprieve from the hunter's gun—Cheetahs at rest in a Kenyan park.

With the present baleful pressures on Kenya's historic and world famous treasurehouse of game by illegal and legal hunting the move had become inevitable. Only the timing and the abruptness of the ban caused surprise.

The move of course is not entirely a disinterested step towards better wild life conservation. Kenya earns about £40m. a year from foreign tourism. Most tourists want to view and photograph wild animals in their natural habitat, only a small minority want to shoot them. But many animals, especially elephant, rhino, lion, leopard, cheetah, zebra and some antelopes, are quite clearly being shot out.

The main predators are the poachers for ivory, rhino horn,

year to shoot animals. Hundreds of thousands of dollars pour in, but it is only a fraction of the millions spent by package tour viewers and photographers. Conservation groups like the World Wild Life Fund, who have been stepping up the pressure on the Government to ban hunting are overjoyed. "This is a good beginning," says Mr. E. T. Monks, local representative of the World Wild Life Fund. "The next step must be to move in on the curio shops in Nairobi which sell ivory trinkets, skins and lion's tooth jewellery, most of which must come to them by dubious means. The hunters say they are doing a good job against the poachers, and it is true, but by guarding their concessions and hunting blocks they are

old golf and riding, searched for an elitist sport with thrills, excitement and an opportunity, to show off to the ladies.

It was the era of the intrepid, bush-hatted professional hunter, prepared to risk life and limb (and many lost them) for the sake of the client's dollars. They knew every inch of the bush and the moods and habits of the animals they hunted with and sometimes for their clients. They were a class apart, English, Kenyan, American, German and Italian, some running their own safaris with their own equipment, others hired for the week. One hunter told me that 10,000 African jobs were contingent to hunting, "Now they will have to find new jobs," he said. "They are all ready made poachers."

Strange ideas float around concerning conservation. Last year 48 wealthy Americans belonging to "Safari Club International," which said it was "concerned with the conservation of wild life," came hunting in Kenya. They took out licences enabling them to shoot 960 animals, and spent $360,000 on the job.

More curious is the telegram sent to the Kenyan Government last week from "Game Conservation International" in the United States, which said: "We are shocked at the sudden and precipitate announcement regarding the prohibition of all hunting in Kenya. More than $1m. which the organisation intended to spend in Kenya this year might have to be diverted elsewhere because of the ban."

## WORLD TRADE NEWS

# Dell still disappointed with Anglo-Soviet trade

BY DAVID SATTER MOSCOW, May 24.

BRITISH TRADE Secretary Edmund Dell said to-day that despite three encouraging Anglo-Soviet contracts in recent months he is disappointed with the progress of Anglo-Soviet trade.

Speaking at a plenary session of the sixth annual Anglo-Soviet Trade Commission, Mr. Dell said that British exports to the Soviet Union have not matched expectation. He called on Soviet foreign trading associations to make more use of British industrial, technological expertise and said that a possible problem may be a lack of relevant British trading information for Soviet buyers.

Mr. Dell is head of a 14-man British delegation to the annual meeting of the joint commission which reviews progress in Anglo-Soviet economic, technological and scientific co-operation.

Mr. Dell said that while British trade with the rest of the world, in particular with, sophisticated industrialised nations like the U.S. has increased, the trade balance with the Soviet Union is still disproportionately in the Soviet Union's favour.

He added, however, that £100m. deal with the COBBEROW consortium for gas compressor stations, a contract with John Brown for a polyethylene plant and the £147m. methanol plant deal announced this month with Davy Powergas presented "a better starting point for discussion."

After the plenary session, Soviet and British experts settled down to discuss the trade problems, as well as industrial, scientific and technological co-operation, commission sources said.

Mr. Dell was expected to follow up with the Soviet side—led by Deputy Premier Vladimir Kirillin—the possibility of further Anglo-Soviet co-operation in energy-related fields. This was believed to be a topic discussed by British Energy Secretary Anthony Wedgwood Benn when he visited Moscow two weeks ago.

Travelling with Mr. Dell is Mr. Alan Williams, the Minister of State for the Department of Industry, Mr. J. M. Ashworth, the chief scientist for the Cabinet Central Policy Review Staff, and senior representatives of trade and industry.

During the visit, representatives of British Petroleum and ICI are scheduled to meet with Soviet officials. British Petroleum has been discussing possible oil explorations in the Barents Sea with the Soviets, as well as a contract for an oil-rig fabrication yard for oil extraction in the Caspian Sea.

Last year British exports to the Soviet Union increased only slightly from £210m. to £240m., according to British figures, while in the same period Soviet exports to Britain jumped from £390m. to £666m.

# Comecon 'needs flexibility'

BY PAUL LENDVAI VIENNA, May 24.

THE HUNGARIAN Finance Minister Mr. Lajos Faluvegi, has called for quicker progress towards a more efficient, more flexible and more realistic external payments system within Comecon.

Flexible exchange rates should be adapted continually to the permanently changing conditions in the economy and commerce, the Hungarian Minister stressed.

He also warned that Comecon as a whole and each individual member state had a serious interest in continually perfecting the exchange rates of the various block currencies because without such an approach one could not really assess economic efficiency and the mutual advantages of the co-operation.

The Hungarian monetary expert issued the call in an article published in the week-end issue of Nepszabadsag, the Budapest party paper, on the occasion of this week's session of Comecon's permanent currency and financial commission to be held at Miskolc, in northern Hungary.

He praises the role of the transferable rouble as the collective currency and unit of account of the Comecon member countries and also pays tribute to credits extended so far by the Comecon Bank which increased its credits from 1.5bn.TRS in 1964 to 4.2bn. last year.

However the emphasis of Mr. Faluvegi's piece is on the shortcomings of the present system. It is a well known fact that neither domestic nor export-import prices in Comecon transactions reflect relative scarcities and thus the exchange rates are also divorced from market realities.

Mr. Faluvegi, clearly reflecting top level thinking in Hungary, states that there is still much to be done in perfecting the monetary system within the Soviet bloc.

For the first time he also says openly that without better monetary yardstocks the important question of the financing of joint ventures and investment projects and the division of income derived from them, could not be solved.

# Sweden offered Russian gas

BY WILLIAM DULLFORCE STOCKHOLM, May 24.

THE SOVIET UNION has made a new offer to supply Sweden with natural gas, Mr. Olof Johansson, the Energy Minister, said here to-day. The project would involve the laying of a pipeline to Czechoslovakia to link up with the main trunk line the Russians are building to Western Europe.

An earlier plan, under which Sweden would have taken Soviet gas by pipeline through Finland, was dropped, when it became apparent that the quantity of gas offered was too small to be economic. There were also problems over the Russians' compensatory demands for Swedish industrial equipment, including pipe.

The new Soviet offer was made during a recent visit to Moscow by a team from Swedegas, the State-owned gas concern. "I think the quantity now indicated is worth a thorough investigation by Swedegas," Mr. Johansson said to-day. He has been personally invited to Moscow to discuss the matter.

The new non-socialist Government has developed a special interest in natural gas as a means of reducing the country's dependence on oil supplies and of providing an alternative to nuclear power.

Earlier this year a Swedish consortium centred on the Kockums shipbuilding concern submitted to the Government a Kr.34bn. (£4.5bn.) project for the import of natural gas from the Middle East and the construction of two distribution networks in Sweden. The project was heavily criticised by Swedegas.

"We are seeking offers from suppliers in West Germany, Africa and the Soviet Union. Our aim is to reduce our dependence on oil, which will have to provide over 320bn. kWH in 1985, by 15bn. kWH," Mr. Johansson said.

## Japan boosts TV tube exports

TOKYO, May 24.

JAPANESE COLOUR TV manufacturers want to increase export sales of tubes to cope with a domestic slump according to Tokyo Shibaura Electric (Toshiba). Recovery of domestic demand for tubes is not expected for some time, following Japan's agreement to limit colour TV exports to the U.S.

Toshiba said it produced about 400,000 colour tubes in April, of which about 140,000 were exported.

Meanwhile Hitachi recently expanded colour tube production capacity 30 per cent. to 40,000 units a month. It said it is exporting 15 to 40 per cent. of total colour tube production, compared with an average 25 to 30 per cent. in the first half of 1976. Hitachi said its export ratio is expected to increase further following enquiries, mainly from the U.S. and Western Europe.

The International Trade and Industry Ministry said earlier that Japanese colour tube exports last year rose 62 per cent. to 3.31m. units. Exports of finished colour TV sets rose 90 per cent. to 5.25m. sets.

Reuter

## 'Binding promise' from Tokyo on steel exports

BRUSSELS, May 24.

EUROPEAN FOREIGN Affairs Commissioner Wilhelm Haferkamp said to-day that Japan had given him a "binding promise" that limits on its steel exports to the Community would be observed, despite increased exports in the first part of this year.

Herr Haferkamp told a Press conference following his visits to India and Japan last week, that the increase in Japanese steel exports to the Community in the first quarter of this year would be compensated by lower exports in the rest of the year. "Japan made a binding promise to us that the limits set down will be adhered to," he said.

Earlier this year Japan agreed to limit its steel exports to the Community to about 1.2m. tonnes in 1977.

Herr Haferkamp also said that Japan had agreed to extend its agreement on exports of speciality steel to Britain, which covers both quantity and prices, beyond the current expiry date of June 30 but he gave no more details.

Herr Haferkamp, who met Japanese Prime Minister Takeo Fukuda and other top ministers during his visit, also said Japan had promised to continue talks on reducing the EEC's massive trade deficit with Japan which reached $4.2m. last year. He said he had asked Japan to remove "technical and administrative obstacles" to increased Community exports.

The Community is particularly concerned by increasing Japanese domination of certain sectors of EEC markets, particularly in cars, steel and chemicals, and sees a solution in increased EEC exports to Japan.

Herr Haferkamp said he was convinced Japan took seriously the agreement at the summit of Western non-Communist Industrial nations and Japan in London earlier this month on avoiding protectionist policies, and it would translate the agreement into practice.

The EEC earlier this year called on Japan to ease its rigorous testing of EEC products, which Herr Haferkamp said was a bar to EEC exports, in order to head off expected demands from within the Community for protectionist measures against Japanese imports.

Reuter

## Warning on shipbuilding aid in U.K.

By Roy Rogers, Shipping Correspondent

A CALL for world shipbuilding capacity to be reduced by between 30 and 50 per cent. came yesterday from Britain's shipowners. They also expressed deep reservations about Government efforts to provide attractive credit terms to secure big overseas orders for the ailing shipbuilding industry.

Lord Inchcape, president of the General Council of British Shipping, singled out a huge potential order for 22 bulk carriers for Poland as an example of foreign buyers being offered terms which "on the face of it, seem more attractive than those available to home buyers."

Although admitting that they do not know the credit terms being offered in a bid to clinch the Polish deal, Britain's shipowners are clearly worried about their foreign competitors being given an unfair advantage—especially when they are State run Eastern bloc lines.

Lord Inchcape was speaking on the publication of the council's annual report for the year ended March 31, 1977, in which governments are criticised for extending the world shipbuilding overcapacity problem by encouraging the construction of unwanted vessels instead of acting to reduce capacity.

Shipbuilding subsidies being made by governments around the world would not alter the fact that too many yards are chasing too few orders, he said.

While opposed in principle to shipbuilding subsidies, the council is co-operating with the Government's subsidy scheme by advising British shipbuilders and the Department of Industry of cases where the U.K.'s £65m. intervention fund might be appropriate to guide orders to British as opposed to foreign yards.

Russia's expanding merchant marine continues to "cause anxiety" to British shipowners who, together with their European colleagues, are trying to exert more pressure on their individual government's to resist Russian price undercutting, which can be up to 33 per cent. below liner conference rates.

● World shipping orders in the past few months were down 25 per cent. on the previous quarter, according to a report by Fairplay International Records and Statistics. Total tonnage ordered in the period actually rose by 1.5m. deadweight tons to 8.16m. d.w.t. although this was distorted by orders, not yet confirmed, for 2.44m. d.w.t. of nuclear-powered tankers for Mr. Ravi Tikkoo.

## CDC calls for free trade

By James Buxton

INDUSTRIALISED countries must apply liberal trade policies towards developing countries if the gap between rich and poor nations is to be narrowed, says the Commonwealth Development Corporation which invests in and manages projects in third world Commonwealth and developing countries.

"Aid flows alone are unlikely to resolve the pressing problems of poverty and deprivation in the poorer countries," the corporation's annual report for 1976 states. It says that the slow start to economic recovery in 1976 has done nothing to relieve the plight of the poorer countries but says that understanding of the economic interdependence of nations gathered pace during the year.

The CDC, which has now been in existance for nearly 30 years, is giving high priority to directly productive agricultural projects, especially those seeking to show small farmers how to become more productive. Such projects are often forerunners of wider rural development because increased crop production justifies the installation of a rural infrastructure.

The corporation reports marginally reduced gross revenue for 1976 of £24.84m. (£25.13m.). The operating surplus was £20.37m. (£21.02m.).

WOOL TEXTILES

# Export boom aids return to profits

BY RHYS DAVID, TEXTILES CORRESPONDENT IN BRADFORD

BRITAIN'S WOOL textile industry is expected to increase its exports this year by around one-third to a new record total of more than £400m., industry leaders in Bradford forecast yesterday.

The prediction was made by Mr. Philip Brook, chairman of the National Wool Textile Export Corporation who revealed also that some 50 per cent. of total output by the industry was now being sent abroad compared with a traditional average of around 30 per cent.

The increase in exports—continuing the recovery started last year—is also being reflected in volume as well as in value. Exports of cloth and yarn in the first quarter are up 28 per cent. and 24 per cent. respectively over the same period last year, with particularly strong demand coming from North America.

Following the severe recession in 1974-75, when the industry was losing around 1,000 workers a month through redundancies, employment has now stabilised with the past year seeing a sharp reduction in closures of companies.

Most companies are now reported to have returned to full activity and profitable operations with several companies reporting record profits over the past few weeks.

The industry is particularly encouraged by signs that against a background of continuing difficulty in world textile trade, it has been faring better than similar industries in other countries, and in part this is seen as the fruit of the extensive programme of modernisation undertaken by companies under the Industry Act aid scheme. Around £80m. has been spent on new plant and buildings and other forms of restructuring under the scheme.

Other major factors behind the industry's recent success, Mr. Michael Roberts, chairman of the Wool Textile Delegation, said, have been the trend back to natural fibres and more elegant styles of dress, stimulated partly by economic pressures to make clothing last longer in terms of fashion and wearability.

"The concurrence of these trends has created a worldwide demand for British woollens and worsteds which are now the criterion everywhere for current fashions in outerwear," he said.

One of the industry's hopes is that the blue denim fashion which has recently been waning will fade even further and that in Britain in particular the public will return to the shops to buy more varied types of clothing.

"The blue denim cult has done great harm to Britain's textile industries by restricting their colour and design expertise and even more seriously by opening the floodgates to an immense volume of cheap imported denim," Mr. Roberts said.

He said it was essential that the negotiations now about to resume in Geneva on the next stage of the Multi-Fibre Arrangement—the agreement which regulates world trade in textiles—should lead to some reduction in the pressure of imports on Britain.

"In its present form the MFA has proved to be a most unsatisfactory regulator of this trade. It has not checked wholesale disruption in many sectors of Europe's textile and clothing industries nor has it alleviated the disproportionate import burden carried by the U.K."

Mr. Roberts also warned that despite the U.K. industry's export successes, long-term prospects for wool textiles could be affected by over-capacity in world textiles generally.

"World demand is rising much too slowly to offer an early end to the problem and nowhere is this more evident than in Britain where, because of inflation, the public cannot afford to maintain, let alone increase, its purchases of clothing," he said.

HOME NEWS

# Burton group may cut more jobs at Sunderland

BY RHYS DAVID, TEXTILES CORRESPONDENT

E BURTON group confirmed sterday that a threat hangs er several hundred more jobs thin the organisation at its ckson Taylor menswear plants, nderlend.

The company has begun consultations with the union aimed reducing excess manufacturing capacity. One option under nsideration is the closure of Hendon Road plant where ) people are employed.

This would leeve Jackson with ly one main made-to-measure d ready-made menswear unit, Ocean Road, also in Sunderland.

The company's plana for a rther slimming of its Jackson eration comes hard on the els of similer moves at Burton, iere the first of 1,430 redundancy notices were issued is week.

In both cases, the company ames the depressed stale of me market demand for suits d the declining popularity of ade-to-measure — the main orkload of the Burton and ckson fectoriea.

ie lateat Burton plans have me to light in a memorandum nt three weeks ago by Mr. ul Slewart, Jackson's chief eculive, to Mr. John Busby, iaf executive of Burton Menswear. It said that Mr. Cyril eocer, Burton's managing director, hed agreed to a plan to concentrete work at Ocean Roed.

Disclosore of the contents of the memerandum, which goes on to suggest an announcement about the closura could be made in July, was causing Burton officials some embarrassment yesterday and is likely to lead to a row between the company and the unions.

## Closure option

The company maintains that it weot into negotiations with unions two weeks later, with a possible closure as the starting option for the Jackson operation, hut union officials suggest that the company's decision had heen reached before consultatioo started.

Mr. Syd Yeoman, regional officer of the National Union of Tailors and Carment Workers, called yesterday for the memorandum to be withdrawn and demanded an early meeting with the company, hefore the new talks dne to be held on June 2, at which the options outlined et the earlier meeting are expected to be discussed further.

Burton admitted the authenticity of the memorandum and said proposals to rationalise fecilities had been drawn up after the recession in trade this yaar.

# Union urges action on footwear jobs

BY ARTHUR SMITH

UNION CALL was made yesrday for urgent Governmeot etioo to aeve jobs in the struggling footwear industry.

Mr. Bert Commerford, president of the National Unlon of ootwear Leather and Allled rades, said that 7,600 workers ere in jobs only by virtue of he Covernment's Temporary Employment Subsidy.

He was speaking on the eve of ublication of e two-year tripartite study loto the future of the ndustry. More thao 7,000 jobs had been lost in the period that the report hed been studying the impect of low demaod and cheap oreign imports on the domestic ndusIry, be ssid.

An equivelent number of workers—about 10 per cent. of the lahour force—was employed only on a temporary basis.

Concern is mounting withio the Industry ahout the time the Government is leking to conaider the recommendations of the management, union and Whitehell body set up hy Mr. Eric Varley, the Iodustry Secretary, to devise a survival strategy for the sector.

The fiodings of the committee, which has recommended £11.3m. of Stale aid to rationalise and modernise the industry, have heeo circulating within the Industry Department for several mooths.

Clearance of the measure for Slate aid by the EEC might teke another six months, by which time the U.K. Industry would have suffered further job losses, according to Mr. Commerford.

# Harrington denies any allegation of dishonesty

LTYD HARRINGTON, the rmer deputy leader of the realer Loodon Council accused the Old Bailey yesterday of penses frauds, said: "I have ver fiddled anything in my e."

Herrington, 45, a teacher, of alisbury Street, Marylebone, ondon, has denied eight cherges leging he made false expenses aims while on the GLC and so while a magistrate at Willesen, north London.

The jury returned a formal not uilty verdict on two further harges relating to his work as JP when Judge Bax directed em to do so after a defence dmission.

Harrington described an occaion in August, 1973, when he as about to take a holidoy.

He said he had been "clowng about" with two assistants emanding his rights.

"I said: 'I am getting out of his hloody huilding to-day. Cel e what is coming to me.' I as at hreaking point. I bad o get oul that day.

"I didn't have aoy money with me and I remember insisting I wanted my expeoses. They were hrought to me that afternoon and as I remember they were brought in cash."

He said he had not realised thet since the schools were on holidey at the time, he was being paid anyway and had not lost earnings beceuse of his GLC work.

"It was not deliberate dishonesty," he seid. He was acting as a bully at the time towards his new oersonal assistant who may have been intimidated hy his wey of working. He left it to his assistants to prepare his expense forms, but accepted resnonsihility for them.

Harrineton was asked hy Mr. George Schindler, QC, defending: "Lookiog hack now do you accept that you should have scrutinised these forms with a little more care?"

Harrington: "With the position I am In, yes ahsolutely."

The triel was adjourned until to-day.

# Two men fined £1,000 for Leyland thefts

BY OUR PRESTON CORRESPONDENT

WO MEN were fined £1,000 ich at Preston yesterday and ven two-year jail sentences, ispeoded for two years, after lice inquiries al a British Leynd factory disclosed that new ock worth oearly £200,000 waa issing.

At Preston Crown Court yesrday, the regional crime squad ficers, who have since made ven arrests, were commended r their diligence by the judge.

Before the court were British eyland quality controller, Mr. ger Dickie, aged 31, of Presn, aod Ernest Gallimore, aged , of Meochester. Both adtted three charges of handling ods stolen from British Leyd, totalling about £500.

Mr. Callimore asked for a case involving a further £18,389 to he considered aod Dickie asked that another £5,848 should he taken into coosideretion.

Mr. Anthony Hammood, prosecuting, said the Creater Manchester regional crime squad was called in after diesel injectors aod fuel pumps made for British Leyland's Spurrier works at Leyland and a repair shop at nearby Chorley, began to appear on the market at cheap prices.

Mr. Derrick Fairclough, defending, aaid Mr. Dickle had been "a middle man taking risks at horh ends for relatively little benefit."

He had about £500 out of a tntel £2,000 shared with other men involved.

# Judgment is reserved in 'champagne' appeal

TER 24 days of legal argunt, the Appeal Court yesterday reserved judgment in the peal by Showerings, the glish cider and perry makers, ich is claiming the right to use word "champagne" in preting its products.

A dozen bottles of Showerings' abycham" and a hottle of mpegne stood among piles of al documents and law books ore the appeal judges—Lord stice Buckley, Lord Justice f and Lord Justice Weller.

Showerings challenged a High urt decision two years ago ich barred the company from ng the descriptions "champne perry" or "champagne r." Mr. Justice Whitford held in fevour of the champagne houses which bad argued that the word "champagne" epplied only to their products.

Showerings claimed that the descriptions hed heen used for so long thel the champagne houses could no longer complain about them.

# Royal plaque

A PLAQUE commemoratiog the hirth of the Queen on April 21, 1926, at 17, Bruton Street, Mayfair, is to be placed oo the building by its present occupier, Lombard North Central, a National Westminster Bank subsidiary.

# Associated bankers open new Beaverbrook talks

BY MAX WILKINSON

PRELIMINARY TALKS which could lead to a renewed offer to Beaverbrook Newspapers by Associated Newspapers are under way.

The talks are between S. G. Warburg, merchant bankers, representing Associated, and Rothschilds, representing Beaverbrook, are on what disclosures Beaverbrook could make as a preliminary to a take-over or some other offer.

Associated's offer to buy the Evening Standard for £5m. as part of a complete deal worth £13.5m. is still officially open. However, Associated is considering whether to make a new offer to outbid proposals from Sir James Goldsmith, of Cavenham, and Mr. Tiny Rowlands, of Lonrho.

The Cavenham-Lonrho offer, which would give Beaverbrook £5m. to £10m. in cash and loans, has now been rejected. Beaverbrook has told Sir James that the offer is not enough to persuade it to cede control to Cavenham. It has asked him to consider whether he can put up better terms.

Beaverbrook intends waiting to see what is the highest "rescue" bid that it can attract, whether from Sir James, from Associated, or, from some other City consortium which might be interested.

The group needs about £1m. a year to promote the Daily Express in its fight with Associated's Daily Mail for the middle-brow tabloid readership. It also needs money to meet losses on the Evening Standard and expected increases in costs.

Beaverbrook executives believe that the Daily Mail's publication of a letter purporting to show that Lord Ryder, chairman of the National Enterprise Board, approved a "slush" fund at British Leyland, will have injured Associated's chances of making a successful takeover.

Lord Ryder is suing the Daily Mail over the letter. Beaverbrook believes this episode would make a take-over by Associated politically unacceptable.

## Finance for Industry's role

FINANCE for Industry, the lending and investing institution owned by the big banks and the Bsnk of England, could become a significant factor in the evolution of the newspaper industry's structure, though it has as yet played comparatively little part in it, *writes Margaret Reid.*

The institution, through its Finance Corporation for Industry subsidiary, provided an £8m. loen two years ago to help Beaverbrook Newspapers with its financial problems.

Moreover, FFI has been cast by the Royal Commission on the Press—whose final report is near completion—for a potentially important role in financing Fleet Street, particularly with the costs of modern equipment.

Beaverbrook has been keeping FFI, as a creditor, in touch with its consideration of its future course of action and of recent bid approaches made to it from Associated Newspapers, and jointly, from Sir James Goldsmith's Cavenham and Mr. Tiny Rowland's Lonrho.

It appears that no approach has been made to Finance for Industry from any quarter for funds for any attempt at the moment to take over Beaverbrook or part of its business. But it is understood that FFI, having been identified by the Royal Commission on the Press as a preferred source of finance for newspapers, would be happy to examine any proposition in connection with newspapers.

Its £1bn. medium-term loan facility, designed to relieve a severe cash shortage in industry, was established in early 1975. It was expected that the £1bn would probably be lent in two years.

In the event, only some £300m. has been advanced some two and a-half years later, because of the subsequently improved cash situation of companies, the low level of industrial investment, and the activity of other leading institutions.

## Conoco wins safety award

THE PREMIER award for industrial safety last year, presented by the Royal Society for the Prevention of Accidents, has been won by the U.K. marketing division of Conoco. The Sir George Earle trophy is awarded annually for an outstanding contribution to industrial accident prevention.

The William A. Nichol trophy for outstanding safety achievements to a company with less than 500 employees has been awarded to F. E. Beaumont, steeplejacks and engineers, of Ratbger Road, Stockwell, south London.

# Explain your stand on Drax, MP to urge Callaghan

BY MAX WILKINSON

THE Prime Minister will come under strong pressure this week from the National Union of Mineworkers and other unions to order the proposed Drax B power station, near Selby, Yorks, despite continued deadlock on merger talks in the power engineering industry.

He is under pressure also from Labour MPs representing miners and other affected industries to go ahead with the decision. They say that Mr. Callaghan is committed to ordering the station by a statement which he made in the Commons on May 12.

A motion signed yesterday by 100 MPs called on the Government to go ahead with the order. Mr. Michael Thomas, MP for Newcastle East, will put down a Question to-morrow which invites Mr. Callaghan to explain his position more fully.

The Industry Department is opposed to early ordering of the station until outline agreement has been reached on the restructuring of the turbine generator industry. There is still doubt in the industry about whether Mr. Callaghan really wishes to override the department.

The increased political pressure has given a new determination to the Board of Reyrolle Parsons to resist proposals for a merger of its turbine generator interests with those of the General Electric Company.

Mr. Callaghan apparently has persuaded Sir Arnold Weinstock, head of GEC, to accept only a 50 per cent. shareholding in a merged company instead of the outright control which he has been demanding. Sir Arnold's insistence that GEC should manage the new company provoked strong opposition from unions and management at C. A. Parsons.

As a result, Parsons refused an invitation to meet GEC at a meeting which civil servants were hoping to arrange early this week.

The mineworkers' union is pressing for an immediate go-ahead for Drax because it says the station will be needed to take coal from the Selhy field, which is just beginning to be developed.

# Vickers may sell Tyne foundry

By Kenneth Gooding, Industrial Correspondent

VICKERS is having talks on the sale of the foundry division at Elswick works, Newcastle upon Tyne, where about 200 are employed.

Negotiations are taking place with Dudley Foundries, up to now one of Elswick Foundry's main competitors.

Until three years ago Dudley was part of the Simon Engineering group. A controlling interest was sold to Mr. Cordon Jones, chairman and managing director, and the business now is owned by the management team.

Mr. Jones was at Newcastle yesterday to discuss prospects with Elswick employees and union representatives.

Vickers, which in its latest annual report for 1975 said prospects for the foundry were uncertain, believed a merger with Dudley was in the best interests of employees and that under Dudley management there was a good future for Elswick foundry.

# Euro-electric agreement

BY CHRISTOPHER DUNN

AN AGREEMENT to develop a European electric car is about to be aigned by the Electricity Council, it was announced in Essen, W. Cermeny, yesterday.

Co-signatories to the deal will be the largest two other electricity concerns in Europe, Electricité de France and Rheinisch-Weslfaelische Elektrizitaetswerk (RWE).

The three plan to work out international norms and technical guidelines for propulsion systems, power storage and electrical charging.

Until now, it eppears thet moves to develop the electric car, seen as the best hope for personal trensport in the 21st century, heve been confined to individual efforts by the countries concerned. Now, however, the concerns are willing to pool the results of their researches.

The statement emphasises thet the concerns should be aiming at making the parts to the car and the hatteries interchangeable.

HOME NEWS

# Unions urged to black S.W. Africa uranium

BY MARTIN DICKSON

BRITISH transport unions are to be urged to black supplies of uranium to British Nuclear Fuels from Rio Tinto-Zinc's Rossing mine in South West Africa (Namibia) as part of a new campaign to force the cancellation of a contract for 7,500 tons of uranium oxide.

The campaign was announced yesterday in London at a conference to launch the Campaign Against the Namibian Uranium Contract, an ad hoc pressure group backed by the Anti-Apartheid Movement.

The move came on the same day as RTZ's annual meeting, at which the company faced renewed criticism for operating a mine in South West Africa. RTZ has a 45 per cent. stake in Rossing.

The campaign wants to persuade the British Government to cancel the contract for the uranium, a deal which the organisation says is worth £120m., with delivery due to start this year.

All shares in British Nuclear Fuels are held by the U.K. Atomic Energy Authority on behalf of the Energy Secretary.

The campaign organisers say that Government involvement in the Rossing contract flies in the face of a United Nations decree forbidding the exploitation of South West African resources while the territory is under South African control.

Mr. George Saville, an executive of the Associated Society of Locomotive Engineers and Firemen who deals with southern African affairs, said he would recommend that the union's executive committee see what action could be taken to halt the movement of uranium when it arrived in Britain. He thought it likely that the union would black supplies.

The National Union of Seamen said it would recommend its members should be told to keep watch for any ship carrying Rossing uranium with a view to further action.

The campaign said that it hoped to get support of the Transport and General Workers' Union.

The campaign is urging constituency Labour parties to bring the question of the contract up at this year's Labour conference. A resolution calling on the Government to cancel the contract was passed last year.

Mr. Alex Lyon, Labour MP for York, said that while he did not feel the contract was justified on any grounds, the crucial question for the Government was to weigh up whether alternative uranium sources made it possible to abandon the Rossing deal.

Mr. Shapua Kaukungua, representative in Britain for the South-West Africa People's Organisation, claimed that through the Rossing contract "the British Government is supporting South Africa's illegal occupation and this can only jeopardise future relations between our two countries."

RTZ annual meeting, Page 32

# Leyland to move its trucks HQ to Scotland

BY RAY PERMAN, SCOTTISH CORRESPONDENT

BRITISH LEYLAND is to move the headquarters of its newly formed medium/light commercial vehicles division to Scotland, where it is investing nearly £33m.

Mr. Harold Musgrove, general manager of the division, which is part of the bus and truck group, is looking for offices in Edinburgh for about 100 staff.

The present headquarters are in Leyland, Lancashire, but 60 per cent. of the division's operations are at Bathgate and Albion Motors, Glasgow.

The two Scottish plants will have more autonomy under the reorganisation. Four new senior management posts have already been filled and interviews are in progress for new directors of personnel, finance, administration and sales and marketing.

At Bathgate, where there are 5,600 workers, the company is spending more than £22m. to increase output from 1,000 to 1,500 engines a week, replace machine tools and modernise the cab assembly and "knock-down" export departments.

To increase capacity in the division, truck assembly is being transferred to Bathgate from Albion, which will manufacture gearboxes, axles, and chassis parts.

The Glasgow factory employs 2,800 workers. Total investment approved there so far is £10.6m.

Mr. Musgrove said that the sales drive for the division's Redline vehicles was being stepped up, particularly for Terrier, Boxer and Mastiff trucks.

Sales of trucks and tractors, which are made at Bathgate, are expected to exceed 50,000 this year, worth £240m.

Mr. Musgrove added: "We are extremely fortunate that we have a responsible and stable labour force at both our Scottish plants. This will enable us to support the demand for our vehicles with consistent availability.

"We are all aware that the investment brings increases in job security and job prospects, but in all instances this brighter future depends purely upon the achievement of our targets and commitments in ensuring that our products are available to the market when required."

Ashley Ashwood

Passenger comfort was the theme of a Jubilee exhibition opened at Euston yesterday by Stone Platt Electrical and British Rail. Stone Platt supply, among other items, air-conditioning equipment for high speed trains. Mr. Robin Taverner, chairman of Stone Platt (left) and Mr. Peter Parker, chairman of British Rail are holding salvers with the motifs of the two organisations designed in aspic.

# Natural gas switch cost £563m.

By Ray Dafter, Energy Correspondent

THE conversion programme for natural gas, due to be completed this year, has cost the British Gas Corporation £563m.

In real terms the cost has been lower than estimated 10 years ago when conversion from town to natural gas began.

Mr. Bryan Smith, the corporation's member for marketing, said yesterday that it had cost £42.20 to convert each customer. In 1966, it was estimated that the conversion would cost more than £30 a customer, or a total of about £400m.

"Stringent cost control made it possible to keep the increase in actual costs over the estimate made 10 years before to a level much lower than the rapid rate of increase in both wages and prices over the same period," Mr. Smith told the Institution of Gas Engineers' annual meeting in Brighton.

## 8,000 models

The conversion programme is due to end in Scotland in September. By then, 13m. gas consumers will have had 35m. appliances switched to natural gas.

Conversion teams dealt with 8,000 different models of domestic appliances and more than 5,000 different commercial appliances. No fewer than 1,947 types of gas cookers were encountered.

"The fact that 1,384 of these cooker models were obsolete may be a tribute to the durability and reliability of gas cookers but it added to the problems of converters."

The growth of domestic demand for gas is likely to reach a plateau by the late 1980s, according to three other corporation executives — Mr. John Demont, assistant sales director; Mr. Simon Kirk, head of marketing planning; and Mr. E. A. K. Patrick, assistant director of the Watson House research station.

Last year, gas provided 42 per cent. of heat supplied to the domestic market; about 70 per cent. of all central heating systems were gas-fired.

The three presented their views on the impact of energy conservation in the home and estimated that by 1980 gas would provide half of domestic demand on a heat-supplied basis. By the late 1980s, the gas industry's share would be nearer 60 per cent.

About 40 per cent. of all homes had some form of insulation although there was a higher proportion of insulation in houses where gas central heating had been installed (88 per cent.).

So far, energy conservation measures seemed to have had a relatively small impact on domestic gas supplies, perhaps 5 per cent at the most.

More Home News on Pages 33 & 37

# Price rises hit holidays to Greece, Yugoslavia

By Arthur Sandles

SHARP INCREASES in hotel prices in Greece and Yugoslavia appear to have hit holiday bookings to those destinations severely—much to the relief of Spain, which is thus faring better than some had feared in a market which is quiet throughout Europe and in the case of British tourists, falling fast.

There are suggestions that Yugoslavia tourist bookings from the U.K. may be down by 50 per cent. this year and by significant proportions from other countries too.

Greek hoteliers say their bookings could be 40 per cent. down, although the National Tourist Organisation considers this to be alarmist tactics aimed at ensuring Government assistance.

Mr. Sidney Silver, managing director of Britain's second largest tour company, said yesterday that Spain "with all its internal problems and general European inflation, still seems to have the key to the secret of how to offer value for money."

Mr. Silver, unveiling plans for next winter's Cosmos programme, said that the company expected to maintain a programme for more than 100,000 passengers, although a slight downturn was being planned for.

# Business aviation 'neglected'

By Michael Donne, Aerospace Correspondent

THE GROWING business aircraft-owning community in the U.K. suffers from a lack of understanding, by the authorities of the needs of executive aviation, especially where the provision of adequate airports for this type of flying is concerned.

Mr. Rex Smith, chairman of CSE Aviation and of the British Civil Aviation Standing Conference, representing a wide range of U.K. aviation interests, said in London that the general aviation community, including business aircraft owners, needed far better handling facilities on the ground.

"This must include such tiresome tasks as aircraft refuelling, and the co-operation of people such as immigration and Customs officials," he said.

"There are some 600 twin-engined business aircraft in the U.K. to-day, plus something in the order of another 2,500-3,500 in Western Europe. These are making a useful and some would say even significant contribution to our commercial heritage and certainly are essential to the total transport infrastructure of the EEC."

## Jubilee reprint

ANOTHER 450,000 copies of the official souvenir programme of the Queen's Silver Jubilee are being printed. The first print order was for 450,000 copies, all of which have been allocated. Proceeds will go to the Silver Jubilee Appeal.

# Cut in home improvement scandalous, says Walker

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

THE GOVERNMENT'S failure to sustain the home improvement programme was yesterday described as "a national scandal" by Mr. Peter Walker, the Conservative former Minister.

Mr. Walker told a London conference organised by the National Home Improvement Council that the Government had allowed the programme to be reduced to a third of its 1973 level, in spite of the fact that millions of homes in need of repair and modernisation and more than 250,000 construction workers were without jobs.

"The building industry is pining for the opportunity to dramatically improve the quality of Britain's housing stock. The present Government, however, has allowed the improvement programme to be slashed."

In 1973, more than 450,000 homes had been improved, but this year the figure would not exceed 150,000. There should be 90 per cent. improvement grants for houses scheduled as unfit and in need of urgent repair, and also for homes without basic amenities.

"There are 1.25m. houses in a dangerous state of disrepair, and 900,000 of them have none of these basic amenities. There are another 1.6m. houses in a basically fit state of repair, but lacking bathrooms, inside toilets or hot water.

## Four years ago

"If we returned to the improvement levels of four years ago we could eliminate this blight within six weeks."

There should be 75 per cent. grants to local authorities with a high percentage of houses built before 1914 and, for the remainder, 50 per cent. improvement grants should continue.

Provision should be made to encourage improvements in the privately rented sector by allowing rent increases in line with the cost of the improvements, with appropriate rent rebates for people who could not afford to pay them, Mr. Walker said.

The council suggested that unemployed labour could be used immediately to save houses from "irretrievable obsolescence" in areas of extensive decay and high unemployment where funds were not now available.

It cost the Government up to 96 per cent. of average earnings to maintain a married, unemployed man and the money would be better spent on funding employment in housing rehabilitation.

The scheme would be best suited to substandard private sector homes in decayed urban areas occupied by low income or unemployed families, the council said.

# Greater security proposed for council tenants

A NEW "charter" for council tenants, aimed at giving them the same degree of security of tenure as private tenants, was announced yesterday by Mr. Reg Freeson, Minister for Housing and Construction, writes Michael Cassell.

The proposals, set out in a consultative document by the Housing Advisory Group and issued by the Department of the Environment, set out to improve and clearly define the rights of the local authority tenant.

Mr. Freeson said that the document represented a major step towards creating "a new and more equal relationship between landlord and tenant." The time had come for adopting new attitudes at every level of housing management and the report would form a cornerstone of a new tenants' charter, which would go beyond tenancy agreements.

The report is the first from the group since it was established in 1975 and claims that the relationship between both sides involved in a tenancy agreement needs to undergo "a fundamental change." Local authorities, it says, should take a new look at tenancy conditions and recognise that there are two parties to any agreement.

The agreements adopted by individual local authorities needed to be revised periodically in consultation with tenants and both sides should be able to suggest the need for a review.

Existing tenancy arrangements should be less one-sided and should set out simply and intelligibly the terms under which tenants occupy their homes.

Many conditions laid down were unnecessarily restrictive and designed solely to regulate the behaviour of a minority of tenants. Such conditions should be avoided and a single clause in agreements requiring tenants to behave reasonably was all that was necessary.

Many agreements did not express clearly, if at all, the obligations of the landlord. While this did not mean that authorities were unwilling to accept their responsibilities, tenants should still have a clear statement of the services they were entitled to expect. At the same time the tenant's responsibilities should also be better defined.

On the question of security of tenure, the report points out that local authorities are generally exempt from the provisions of the Rent Acts and strongly recommends that local authority tenants should have the same measure of security as private tenants. The Government has already committed itself to legislate to this effect.

# Building contracts down 15%

THE VALUE of domestic work won by the construction industry in the first three months of this year remained well down on the levels achieved at the start of last year, in spite of a big increase in orders in March, writes Michael Cassell.

According to provisional figures from the Environment Department yesterday, the industry obtained new contracts worth £673m. during March, against £443m. the previous month and £561m. in January.

The much improved March picture embraced all the main sectors of the industry, from private and local authority housing to industrial and commercial contracts and public works projects.

When expressed at constant prices, total new orders in the first quarter of the year were still 7 per cent. lower than in the last three months of last year, however, and 15 per cent. down on the same period 12 months before.

The statistics suggest that new orders in the public housing sector rose, at current prices, from £68m. in February to £109m. in March. In constant price terms, there was a 24 per cent. fall on the previous quarter and a 46 per cent. drop on the first three months of 1976.

In private housebuilding, March contracts were worth £124m. as against £84m. the previous month, although on a constant price basis orders in the first quarter were 7 per cent. below the level recorded in the preceding three months and 26 per cent. down on the same period a year earlier.

The current price value of public works contracts rose from £132m. in February to £226m. in March. The overall first quarter figure, at constant prices, was 7 per cent. lower than in the last quarter of 1976 and 18 per cent. lower than a year before.

Orders for private industrial work rose from £73m. in February to £101m. Although the first quarter total was 3 per cent. lower than in the preceding three months, it was 31 per cent. up on the same period 12 months before at constant prices.

Private commercial orders won in March were worth £113m. against £86m. the previous month. In the first quarter, they were up 12 per cent. on the previous three months and 44 per cent. higher than the low level recorded a year earlier.

# Mellor dies aged 85

A FORMER director of UAC International, the Unilever subsidiary, has died aged 85 after a short illness. Mr. A. R. I. Mellor served in the Army in the First World War, won the MC and bar and was mentioned in despatches. He joined the Egyptian Civil Service, engaged in politics and finance.

In 1930 he joined the recently-formed United Africa Company and within two years became secretary.

He was awarded the CBE in 1951 and retired from UAC in 1957, having contributed to the company's development in a politically emergent Africa. He leaves a widow, son and daughter.

# Bus and rail fares up

Financial Times Reporter

COMMUTERS in the West Midlands face a 30 per cent. fare increase from August, and travel cards will go up by 25 per cent to a maximum of £10.

Increases were already in the pipeline, but they will be higher than planned to reduce by nearly £3m. the current £17m. deficit of the West Midlands Passenger Transport Executive, which runs bus and rail services.

LABOUR NEWS

# Conference votes running against new pay policy

BY CHRISTIAN TYLER, LABOUR CORRESPONDENT

THE VOTING at trade union conferences is running at more than two-to-one against the principle of a Stage Three incomes policy after July 31.

With the union conference season half over, unions representing 2.8m. workers have come out for an immediate return to free collective bargaining. On the other side, about 1.3m. are ready to see a Stage Three.

But in many cases this support is heavily qualified and coupled with demands for pay rises matching the rate of inflation—and the Government wants an agreement with the TUC that would limit the earnings increase between the end of July and August next year to under 10 per cent.

The anti-vote so far among the top third of the TUC's 113 unions—representing the bulk of its total 11m. votes—already greatly exceeds last year's when only 500,000 voted against the Stage Two limit at a special TUC Congress in June.

Although some of the biggest unions who backed Stages One and Two will be voting in the next few weeks, the final outcome is far from predictable.

Crucial, not only to the arithmetic but to the whole viability of *another phase*, will be the Transport Workers conference early in July. Faced with a mass of resolutions against wage restraint, Mr. Jack Jones will have no easy task swinging his 1.85m. members behind another round, however flexible.

## Surprise

Even delegates of the 880,000-member General and Municipal Workers Union meeting in Southport next week could produce a surprise. No fewer than 21 of the 33 social contract resolutions on their agenda are for ending wage restraint entirely and only five look in favour of some limits continuing.

The Government cannot count fully on the National and Local Government Officers Association —fourth biggest union after the Transport Workers, Engineers and GMWU. NALGO meets in the middle of June, with an executive recommendation for a Stage Three; but early this year a special NALGO conference on expenditure cuts only narrowly avoided throwing out the social contract.

Two others in the top 10—the electricians, whose conference is too late for a Stage Three decision—and the building union UCATT, which has no conference *this year, could support a Stage* Three. But the builders support because of the cutback on public construction, is less sure than that of the Electricians.

If all these bigger unions agree to a Stage Three, the result inside the TUC general council and later at the annual Congress is, of course, assured, even if the Miners vote decisively against, as Mr. Joe Gormley, their president has said they will, in early July.

Unions that have ranged up broadly in favour of Stage Three include the Shopworkers, Teachers, Post Office Workers, Tailors and Garment Workers, professional civil servants, bank staff, power engineers and journalists.

On the other side so far are the Engineers (although they may reconsider if a TUC-Government deal is struck), the Public Employees (although their *decision this week was ambiguous*), the white-collar ASTMS, two big civil service unions, and the train drivers ASLEF.

It is, however, a long time to July 31, and if the Chancellor comes up with a reflationary summer Budget he may find more room for manoeuvre than the union conference decisions imply—always assuming, of course, the Transport Workers go his way early in July.

# NUPE sponsorship decision provokes Commons query

BY DAVID CHURCHILL, LABOUR STAFF

DELEGATES TO the National Union of Public Employees conference here yesterday decided to withdraw sponsorship from six Labour MPs unless they "refrain from supporting Government policy on cuts in public expenditure."

The decision led to an immediate complaint in the Commons that the union might have committed a breach of privilege. Mr. George Thomas, the Speaker, said that he would rule to-day on whether the issue should be referred to the all-party Committee of privileges. The matter was raised by Mr. Robert Adley, Conservative MP for Christchurch and Lymington.

Delegates reached their decision on the MPs after overwhelmingly endorsing a resolution critical of Government public expenditure cuts and threatening further action to oppose them. The six NUPE sponsored MPs include Mr. Roland Moyle, junior Health Minister, Mr. Tom Pendry, Mr. Arthur Bottomley, Mr. Peter Hardy, Mr. Ted Leadbitter and Mr. Ken Lomas.

There was a similar row last year involving the National Union of Railwaymen and transport policy.

Mr. Bernard Dix, Assistant General-Secretary of NUPE told delegates that the "medical profession are doing all they can to frustrate the operation of the 1976 Health Services Act which phases out pay beds."

NUPE is the biggest union within the NHS, with about a third of its 650,000 members among the nursing and manual grades.

Mr. Dix, a member of the Health Services Board, which supervises the phasing out of pay beds, said the Board faced continual legal moves by medical bodies trying to delay phasing out of private beds. He particularly cited the British Medical Association, and the Hospital Consultants and Specialists Association for "legally challenging the Board's activities."

But the allegations were refuted by the BMA last night. A spokesman said that the Association had sought assurances from the Board that the phasing out of paybeds would be carried out properly.

The 4,000-member Hospital Consultants and Specialist Association said last night it believed the Board was not correctly interpreting the act. It was considering further action, if necessary.

Earlier, Mr. Alan Fisher, General Secretary, had refused to clarify Monday's resolution on pay which left many delegates confused as to whether the union supported or opposed the Social Contract.

Mr. Fisher said it was an affront to the dignity of the conference to have to clarify their decision. "You shouldn't have made the decision if you didn't know what you were voting for," he told delegates.

# Judges lack sympathy for unions —Murray

By Our Labour Correspondent

MR. LEN MURRAY, TUC general secretary, yesterday followed Mr. Michael Foot's *controversial* comments on the judiciary with a speech accusing judges of anti-union attitudes.

They had shown lack of understanding of the unions, Mr. Murray told the Prison Officers' Association in Weymouth. But "I do not believe this is a matter of conscious prejudice.

"It stems much more from their failure to distinguish between combinations of the trade union sort and conspiracies of the criminal sort. To some judges, combinations seem to amount to conspiracies against the public interest."

Judges were preoccupied with individual rights, distinct from collective rights, and unions, though "not a State within a State" claimed the right to seek redress of interpretations that ran counter to Parliament's intentions.

"Again and again in our history, judges have, by their decisions, made nonsense of Acts of Parliament — on occasion appearing to set themselves up as more competent than Parliament itself to define the rights and duties of unions and the framework of industrial relations."

He called the recent Appeal Court decision against the Post Office Workers' intended boycott of South African mail "dangerous." The case is to go to the House of Lords this summer.

In a reference to the Conservative Party, Mr. Murray said trade unionists would have to ask themselves which Government would better understand the need to clarify the unions' right to strike—the one which put the 1971 Industrial Relations Act on the Statute Book, or the one that repealed it.

# Urgent talks to settle QE2 arrival dispute

BY OUR LABOUR STAFF

URGENT talks were taking place late yesterday, in an effort to settle a dispute which threatened to disrupt the arrival of the QE2 at Southampton to-day.

Earlier, tugmen and mooring gangs had decided to "black" the liner in support of ship-repair workers employed by Vosper Thornycroft, who are angry at a decision by Cunard to have the QE2's annual refit later this year carried out in the U.S.

Dockers at Southampton decided not to join in the "blacking" of the ship when it arrives from its transatlantic trip. But the key men in the dispute appear to be the tugmen and the ships' gangs responsible for securing the liner at the dock side.

The meeting late yesterday involved Cunard officials, Southampton's mooring gangs and ship-repair workers.

# Civil service union calls off action threat

BY OUR LABOUR STAFF

THE CIVIL and Public Services Association, the biggest civil service union, yesterday called off industrial action planned for this week, after last-minute talks with the Defence Ministry.

The union had called a one-day stoppage for to-morrow and intended lobbying Parliament today in support of 300 members suspended by the Defence Ministry in Gibraltar.

Dr. John Gilbert, Minister of State, Defence, yesterday made the union a further offer in a bid to end the dispute.

The union suspended industrial action while the offer is put to the Gibraltar staff. Four of its officials are expected to fly out to the island to-day.

The Gibraltar dispute arose over pay, but the 300 clerical and secretarial staff were suspended in October for carrying out industrial action.

The offer from the Defence Ministry includes lump sum payments of £300 for clerical staff and £120 for clerical assistants, better fringe benefits and independent arbitration.

# Power strike talks to resume

TALKS are expected to resum to-day between the South o Scotland Electricity Board a Engineering Union officials in a attempt to settle the strike o electricity workers which ha closed two of Scotland's large power stations and is threatenin others.

The strike is by 700 mai tenance and operation staff at th Longannet and Kincardin stations in Fife which togethe provide part of the SSEB's operational generating capacity.

There is no immediate threa to power supplies as the Boar can call on surplus supplies fro the North of Scotland hydro-elec Board and the Central Elec tricity Generating Board.

# New forum for electricity talks

BY OUR LABOUR STAFF

THE ESTABLISHMENT of a new central body for consultations between Boards, trade unions and staff in the electricity supply industry was announced to-day after three years of negotiations.

The National Joint Co-ordinating Council for the industry will form a forum for discussion on a range of issues, from planning to sales, and replaces the two National Joint Advisory Councils. A Scottish Council has been established as part of the new structure.

At the same time as the announcement of the new consultative machinery, a closed shop agreement for the industry's 51,000 administrative workers came into force.

The agreement, negotiated by four unions, covers administrative staff employed by the 12 area Boards, the two Scottish Boards, the Central Electricity Generating Board and its regions and the Electricity Council.

Anyone now taking a job covered by the negotiating body, the National Joint Council for the electricity supply industry, will have to be a member of one of the four unions: the National and Local Government Officers Association, the Association of Professional, Executive, Clerical and Computer Staff, the white collar section (MATSA) of the General and Municipal Workers Union and the white collar section (ACTS) of the Transport and General Workers' Union.

The agreement, which is broadly similar to the one negotiated for the gas industry, does not affect staff who are not trade union members unless they subsequently become a member of an NJC trade union. There are also normal exemption provisions for staff with religious or conscientious objections.

Another State-owned operation, British Airways, is now trying to negotiate a participation agreement with its employees.

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FINANCIAL TIMES SURVEY
Wednesday May 25 1977

# Jordan

Central to Jordan's future have been the international efforts to reach a peaceful settlement of the twin problems of the Israel-occupied West Bank and the Palestinian refugees. King Hussein's voice is recognised as one of the moderating influences in this politically explosive debate.

## Elusive goal of peace

By Alain Cass

PEACE IS a word which rolls more frequently and more plausibly off the tongue of King Hussein than any other leader in the Middle East. Apart from being the area's most persistent peace-seeker he has also been the West's most steadfast ally in the Arab world, and the only leader the Israelis have seriously offered to deal with for a quarter of a century.

And yet in this, the year of the much heralded Arab peace offensive, the prospect of a settlement—however marred by the victory of the hawkish Likud bloc in Israel's recent general elections—worries the Jordanians.

Now that the wheels of America's diplomatic juggernaut are starting to turn and there is talk of an imposed settlement in the area, the apprehension about what lies ahead is almost as tangible in Amman as it is in Jerusalem, where "settlement" and "concession" are virtually synonymous.

Jordan, one tends to forget, is the only Arab party to the Middle East conflict which has much to lose and apparently very little to gain from a settlement. This is especially true if—as now seems widely accepted—that settlement has at its core a more or less sovereign Palestinian state on the West Bank.

What, after all, would Jordan be without the West Bank? Would it be more than a small State with a developing economy heavily dependent on foreign aid and no real role to play as a confrontation State in one of the world's most preoccupying post-war conflicts.

There is also the question of how many Palestinians living in Jordan—they constitute over 60 per cent. of the population—would move their expertise and their money to a West Bank State and how many of their number abroad (who last year contributed much of the JD200m. in remittances) would send their money "home" instead.

So the question of what sort of State emerges on the West Bank, who runs it and what its links are with Amman are crucial for Jordan.

Just how profound is this self-doubt was demonstrated when President Jimmy Carter broke new ground just before King Hussein's recent visit to Washington and spoke of a "homeland" for the Palestinians.

A "homeland" for the Palestinian "refugees"—which is what Mr. Carter was quoted as saying—can mean any number of things. One of those things, somebody should have told the new President, is—to put it crudely—dumping King Hussein and the Hashemite regime and handing Jordan over to the Palestinians. As the world was forcefully reminded in September, 1970 during Jordan's bloody civil war, Jordan's stark, ethnic dichotomy between the Hashemites and their Bedouin supporters and the Palestinians lurks never far from the surface.

### Authoritative

The general atmosphere was not helped by the publication at the same time in the Washington Post newspaper of an authoritative story that the CIA had for years been making substantial payments to several world leaders, including the Hashemite monarch. Those with cool heads around the King, and indeed the King himself, reasoned that it made no sense for President Carter to wish to undermine the regime at this or any other time. But, as is often the case, it is not what people believe but what they wish to believe that matters.

In the event King Hussein's fears of even the merest suggestion that America was wavering in its traditional support for his moderate and pragmatic brand of pro-Western policies were unfounded. President Carter firmly reiterated America's commitment to Jordan.

On paper, of course, King Hussein "lost" the West Bank in October, 1974, when the Arabs, in a rare display of solidarity at their summit in Rabat, handed over the territory occupied by the Israelis seven years earlier to the Palestine Liberation Organisation to regain and, once regained, to administer.

On paper too the Hashemite monarch has accepted that decision, reinforced by a strong feeling among many, though not all, his people that the West Bank is a liability Jordan can do without and that the country should get on with the business of building a viable and self-sufficient economy anyway.

But giving up the dream of regaining Jerusalem for the Arab world is hard medicine for a Hashemite monarch to swallow and particularly one as proud as King Hussein who this year celebrates 25 years as ruler of his own divided kingdom.

Consequently the thrust of Jordan's recent diplomacy has been somehow to claw back the effects of Rabat. King Hussein knows he cannot entirely reverse that decision. But, encouraged by the moderate Arab world and the U.S., King Hussein believes—and recent events have proved him right—that he still has a significant rôle to play in negotiating with Israel, partly because the Israelis refuse to deal with the PLO and partly because Jordan presents no real military threat.

The belief that the key to the West Bank is still in Amman was given a major boost recently when President Sadat of Egypt declared, apparently with the agreement of Syria and Saudi Arabia, that a Palestinian state on the West Bank would have to be closely linked with Jordan.

Quite what these links would be and how much control Jordan would have over the West Bank is unclear. To believe, as some Jordanian officials apparently do, that the relationship would bear some resemblance to the United Arab Kingdom outlined by King Hussein in 1972, with foreign affairs and defence under Amman's control, seems fanciful.

### Significance

Nevertheless this shift of Arab attitude towards Jordan is of major significance. It affirms King Hussein's importance; it confirms a continuing link between the economies of the West and East Banks which, in any case, are contiguous; and, crucially, it confers upon King Hussein the eventual role of guarantor of Palestinian good behaviour both towards Israel and the moderate Arab world which also regards the prospect of an irredentist and possibly revolutionary PLO State with considerable anxiety.

Over the last year King Hussein has carefully—stealthily even, so as not to offend Arab sensibilities—cultivated relations with leading West Bank figures. He has opened a dialogue with the PLO, which sent a senior though not top-level, delegation for talks to Amman, and he has quietly reaffirmed that, while he stands by the Rabat decision he would be only too pleased to help out in the face of Israeli intransigence.

In this he has been encouraged by Syria, with whose President, Hafez Assad, he has struck up a close relationship. Despite the fact that the moves towards "complete integration," leading to eventual unity between Syria and Jordan, announced amid a fanfare of Arab hyperbole, have ground to a virtual halt in two of the three key areas—defence and politics—both countries have enough common interest in seeing a Jordan/West Bank link established to give the concept further momentum.

For Syria the object would be to extend to a Palestinian State, through Jordan, the latent hegemony it wishes to establish over the whole of what schoolchildren are taught is "natural Syria"—Lebanon, modern Syria, Jordan and Palestine.

But progress has been slow. The talks with the PLO did not go particularly well. The West Bankers appear more committed to the guerilla movement than had been previously thought, as the last local elections starkly demonstrated, while money from other Arab States to the inhabitants in the territory has served further to undermine Hashemite prestige.

Whether King Hussein manages to patch up his deep rift with the PLO or not and whether negotiations leading to a West Bank State get going let alone conclude successfully—and in the present climate they are both big ifs—the arguments for Jordan rethinking its role as an East Bank State are powerful. After some considerable hesitation in the year following Rabat this now appears to be under way.

### Reassessment

There has been a major reassessment over the past two years. Under the influence of Crown Prince Hassan, a new Five-Year Plan is being implemented which is interesting as much for the sheer breadth of its ambition as for the vision it presents of Jordan as the Jordanians see their country in the light of the area's new political realities.

King Hussein has also been reassessing Jordan's diplomatic role. The most dramatic example of this was his visit to Moscow last year to discuss the possible sale of a Soviet missile air defence system at a time when problems arose with the contract for a U.S.-made Hawk missile package. In the event this seems to have been little more than a diplomatic feint. The Saudi Arabians, fearful of the spread of Communism in the Middle East, came up with the necessary $800m. Still, the message was clear enough. Jordan is prepared to shop around irrespective of political considerations.

Diplomatic relations with Peking were established after breaking off ties with Taiwan despite the fact that Taiwan remains Jordan's biggest single customer for phosphates—its chief export.

Trade between Jordan and the eastern bloc has also shot up recently. Phosphate exports to Eastern Europe, for example, which amounted to 101,000 tons in 1972 reached 636,000 tons last year. The Russians are conducting seismic surveys in the search for oil following a little-publicised visit by senior oil experts from the Soviet Union last year. The Soviet Union is also providing Jordan with assistance in vocational training and has awarded several hundred more scholarships to Jordanian students who wish to study in Russia.

With the exception of the visit to Jordan in May, 1976 of Air Marshal Pavel Kutakov, the Soviet Deputy Defence Minister, these new links can be passed off as being technical and economic. But the political implications are not lost on Jordan's allies.

King Hussein, who in his 25-year reign has survived several assassination attempts and as many political setbacks is, above all things, a realist. He has, those close to him say, a serenity in the face of challenge which is both impressive and effective. It is just as well since the next phase of his kingdom's short history is likely to be as testing as any which has gone by.

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# Economy under strain

...ordan's economic per-...nance after the first year of 1976-80 Five-Year Plan is ...ething like a compact car ... has been filled with high-...de petrol and is running at speed for the first time evar. It is unaccustnmed to the ...e, and the basic engine is ...wing strains under the im-...t of its brisk and novel ...formance.

...be fuel for this process—as ...ays—is vast amounts of ...ley coming into the country ...n abroad. These inflows are ...ut four times Jordan's ...ennes from exports, and they ...e maintained the process of ...lling domestic demand that ...only ba met by ever in-...sing imports.

...he result last year was a ...rp rise in the trade gap, ...vy flows of excess liquidity ... non-productive trade and ...ulative land and construc-... activity, and a persistently ...n inflation rate of nearly 20 ...cent.

## ...ound

...he Jordanian economic ...ine continues to be funda-...tally sound—as shown by ...high rate at which foreign ...ley continues to flow into ...country, a sign of confideoce ...both the stability and poten-... that Jordan's friends see ...the country. The long-term ...te that the economic plan-...s bave charted for the ...ntry is also well thought of ...hard-nosed outsiders. The ...stion mark that bas arisen ...s past year is whether the ...nomic engine is substantial ...ough to keep up the brisk ...e while avoiding the ravages ...inflation.

Jordan's GDP has been grow-...g by about 5 per cent. a year ...ce 1971, and between 1973 ...d 1975 it rose from JD239m. ...t factor cost) to JD320m. ...NP in 1975 was JD395m.

But this performance—...ogether remarkable for a ...all country with few ex-...ited natural resources other ...n phosphates—has come ...ut through heavy depen-...ce on money that Jordan ...ives from its many friends. ...ast year's budget, domestic ...nues provided just 49 per ... of expenditure. The rest ...be JD223m. in total spend-... was made up from foreign ...its and loans (JD32m. and ...1m. respectively) and dom-... borrowing.

The picture for this year does not look much different. The 1977 budget of JD332m. is 27 per cent. higher than last year's, and contains a deficit of JD15m. But domestic revenues will again make up less than half of total expenditure, with the rest coming from foreign grants and loans.

The United State remains the biggest single source of budgetary support (JD15m. in grants this year), with Saudi Arabia (JD11m.) and Kuwait (JD9m.) close behind. A total of JD52m. in budget support will come from other countries, with another JD53m. in loans expected for project aid.

While these amounts of state funds have in themselves pushed up demand at a fast rate, they were joined last year by what the Central Bank says was JD98m. in remittances from Jordanians working abroad (mainly in the Gulf oil states). In fact, this figure only takes into account remittances that passed through the banking system, and the real figure is thought to be closer to JD200m.

This money has fuelled demand significantly above the country's own production capacity, and the gap has been filled by imports. The resource gap between GNP and domestic consumption was almost balf of GNP in 1975.

Last year, the trade gap widened even further, going up from JD195m. in 1975 to JD290m. While exports did rise by 23 per cent. to JD50m. last year, imports rose even quicker, by 45 per cent. to JD340m. And of the JD50m. in exports, JD20m. was accounted for by a sole commodity—phosphates.

The whole thrust of the current Five-Year Plan is to reduce Jordan's dependence on foreign sources of support, to narrow the trade gap from 47 per cent. of GNP in 1975 to 21 per cent. in 1980, and to eliminate the deficit on current budgetary operations.

This is to be done by shifting the economy towards productive sectors such as manufacturing, industry, mining and agriculture, with an emphasis on exporting to the vast Middle East market that is at Jordan's doorstep.

Pressures on domestic productive resources are expected to remain high over the next few years, and when brisk demand last year combined with excess liquidity, Jordan bad a taste of what it might expect to happen again. Excess money last year quickly found its way into land speculation and the quick profit that could be had from trade—particularly in expensive imported consumer items. The speculative fever finally abated by the end of the year, but not before the combination of heavy demand and the limited domestic productive base created spot shortages in supplies (cement, housing) and an inflation rate that is expected to be near the 20 per cent. mark for the second year in a row. The money supply, just JD115m. in 1972, rose to JD218m. by the end of 1975 and again to JD269m. by July, 1976. It has since levelled off abruptly.

**BASIC STATISTICS**

| | |
|---|---|
| Area | 36,617 square miles |
| Population | 2.7m. |
| GNP (1975) | JD 395m. |
| Per capita | JD 146 |
| Trade (1976) | |
| Imports | JD 340m. |
| Exports | JD 50m. |
| Imports from U.K. | £55.7m. |
| Exports to U.K. | £892,000 |
| Currency: dinar £1=JD 0.555 | |

One big reason for the money supply growth was a 50 per cent. increase in commercial bank lending in 1976, despite a ceiling imposed by the Central Bank. Commercial bank assets rose from JD143m. at the end of 1974 to JD213m. in 1975, and JD301m. in 1976.

One aim of the Government over the next few years is to curtail the growth of private credit to non-productive sectors of the economy while encouraging private funds into productive investment activities, particularly industry and manufacturing. This is to be done within the overall plan framework of encouraging export-oriented industries that can exploit Jordan's minerals and as yet unrealised year-round agricultural potential in the Jordan Valley.

One of the reasons for the rise in imports last year was a poor agricultural performance. While wheat and barley production (67,000 and 13,000 tons respectively) were slightly up on 1975 totals, vegetable and fruit production was down.

In the industrial sector, performances bave been positive, because of both high domestic and regional demand. All major industries, including phosphates, petroleum refining, leather goods, cigarettes, detergents, pharmaceuticals and batteries (but not cement or textiles) marked production increases. The production index of major industries rose from 175 in 1975 to 218 at the end of 1976 (1966=100).

Another encouraging sign was the continued rise in tourists last year. The 1975 figures of 708,000 climbed to a new high of 1,063,294 in 1976.

Though Jordan is pushing ahead with plans to set up free zones and industrial parks throughout the country, with a particular eye on attracting export-oriented foreign investment in the manufacturing sector, it will require a more diligent effort by the Government to keep foreign businessmen satisfied. More than 125 foreign companies bave set up their regional offices in Amman since the Government passed legislation in November, 1975 to attract them, but in some cases the promised priority treatment for telephone and telex lines has not materialised. Most of the regional offices are working happily, but some are grumbling. If Jordan cannot consistently produce the goods in such a relatively simple matter as keeping small regional offices happy, some people are asking whether the country bas the depth to develop its desired role as a "gateway" to the Middle East markets of the Gulf and neighbouring Syria and Iraq.

The fact probably is that Jordan does have much greater potential than it has yet shown, and its economic performance has been impressive (especially in view of its limited indigenous resources and funds). But serious structural worries remain in spite of the strides that are being taken.

Jordan's beavy dependence on external sources of finance—both public and private—maintains a built-in vulnerability if these external flows were to be disrupted for one reason or another. Jordan bas always rolled with the punches in the Middle East. It suffered after the 1967 war and the 1970 internal fighting, and it has ridden along with the regional boom that followed the 1973 oil price increases and the re-opening of the Suez Canal in 1975. It still remains a small, dependent country in a neighbourhood of giants.

The combination of private remittances and state aid funds continues to produce aggregate demand that is far above the indigenous productive capacity. The resulting supply shortages, budget deficits, trade gaps and inflationary pressures are testament to a fundamental imbalance that cannot persist for years without people taking a second look at the confidence they have always shown in Jordan's economy.

It is fortunate for Jordan that its senior economic planners, working under the knowledgeable eye of Crown Prince Hassan, are well aware of these dangers, and are working diligently to nudge the economy towards the larger productive supply base that is the key to the long-term goal of self-sufficiency.

While Jordan's past history has been one of trying to make do with meagre resources and few friends, its test to-day is whether it can get through the novelty of an economic boom sufficiently unscathed to press ahead for those economic goals of self-sustained and export-led growth that are suddenly attainable. The performance of the past two years has been satisfactory. That of the next two will be crucial.

**Rami G. Khouri**

# Mineral exports a key factor

A SHARP rise in 1976 phosphate production and exports and steady progress on major new developments in Jordan's oil refining, cement, potash and fertiliser industries have given credence to the country's plans to make the mining and manufacturing sector the cornerstone of the economy by the end of the 1976-80 Five-Year Plan.

Phosphates remain the single most important earner of foreign exchange for the country, but Jordan has suffered from the vagaries of the international price and demand picture during the past two years. Exports had risen steadily to 1.5m. tons in 1974, but dropped to 1.1m. tons in 1975. They rebounded sbarply last year to 1.65m., but the income of JD20.7m. was below the 1975 level of JD21.2m.

Total production last year reached an all-time high of 1.7m. tons, and of exports the majority (1.6m. tons) was sbipped out via the southern port of Aqaba.

The expansion of facilities at Aqaba, the re-opening of the Suez Canal and the disruption of exports via Beirut port have all combined to firm up Jordan's plans to make a big push in the East European market. Sales to Bulgaria, Romania, Czechoslovakia, Poland and Yugoslavia registered the biggest rise last year over 1975 figures, from 352,354 tons to 635,775 tons.

Sales to the Far East, another area Jordan considers as a natural growth market for its phosphate rock, rose from 222,920 tons to 352,357 tons.

The precipitous drop in the international price of a ton of phosphate rock from its high of around $68 in 1974 to $38 at present prodded Jordan to join with Morocco, Tunisia and Senegal last year to form an informal association of phosphate exporters.

The system of contact and consultation, with a significant degree of informal market division by geographical areas, has halted the slide in phosphate prices, and Jordan can anticipate a real increase in income from phosphate exports over the next four years of the plan. Projections in the Five-Year Plan are for phosphate production to reach 7m. tons per year by 1980. Expansion work at the main Al Hassa mine in central Jordan is moving ahead, and a new mine in the southern Shadiya region will be opened by the end of the plan period in 1980.

The healthy rebound in phosphate exports points up Jordan's overall aim to expand export industries in order to cut the country's chronic trade deficit. A key project here is the superphosphate fertiliser plant being built at Aqaba.

The Jordanian Government, in its own right and through the Jordan Phosphate Mines Company, has a 51 per cent. stake in the Jordan Fertiliser Industries company that will operate the fertiliser plant when it is completed in 1981. Agrico of the U.S. has a 25.1 per cent. stake, and two French companies (Spie Batignolles and Heurtey) have signed letters of intent to build the plant. JD17m. in French loans bave been secured on top of the fertiliser company's JD20m. capital, but full financing for the plant has not been finalised, and site work is not expected to start before this is done.

## Potash

The other major project in the minerals sector is the potash extraction plant on the Lisan peninsula, along the south eastern shore of the Dead Sea. Initial samples bave been produced this year for quality tests, and a World Bank team that visited the project site last month announced that further World Bank financing for the project would be forthcoming.

Plans are eventually to extract 1m. tons of potassium chloride per year, and the project received a major shot in the arm earlier this year when the Arab Mining Company (a multinational Arab group) took a 40 per cent. stake in the JD40m. capital of the Arab Potash Company that runs the project. Production plans bave since been stepped up, and hopes are that production can start up on a commercial basis by early 1981.

Oil and gas exploration work is continuing under a concessionary agreement with the American Filon Corporation, and a Soviet oil-exploration team also visited Jordan in late 1976 to help the Government's continuing but low-profile oil and gas exploration efforts.

Work on expanding the country's only oil refinery, at Zerqa, north-east of Amman, will raise annual capacity from 1m. to 3m tons per year, which is expected to satisfy all domestic needs until at least 1985. The JD58m. project is being undertaken primarily by Industrialexport of Romania. A refinery at Aqaba is also being considered.

The country's sole cement plant at Fuheis, north-west of Amman, is similarly being expanded from 530,000 tons per year capacity to 1.25m. tons per year. The JD15m. project is expected to be finished by early next year.

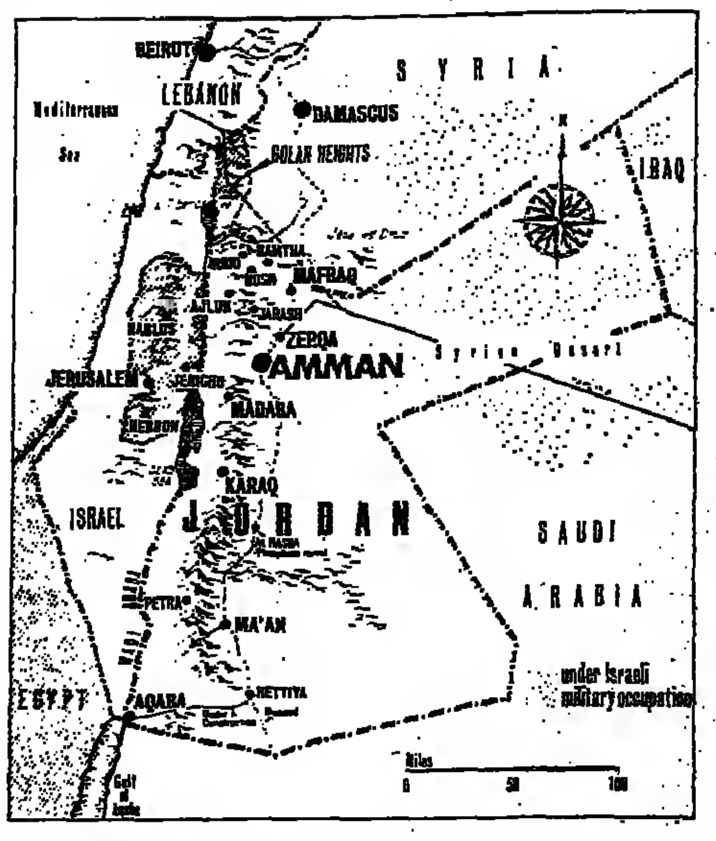
Several smaller private companies bave also been set up over the past year to exploit the vast natural resources that are available in Jordan, particularly minerals used as raw materials for the construction industry. These include bentonite, gypsum, feldspar, limestone, several different kinds of industrial clays, travertine and tripoli, as well as high-quality glass sands.

**R.G.K.**

# Industrial strategy

ACCORDING TO the economic philosophy current in Government circles in Amman, Jordan's best prospect for future economic growth and foreign exchange earnings lies in its development as a regional centre—for manufacturing as well as services. While the country will retain as major income earners such industries as phosphates mining and tourism, which involve mainly contacts with the western economies, for expansion it is pinning its hopes on becoming one of the two or three Middle Eastern countries (Bahrain and formerly Lebanon being the other examples) whose economies are based on economic contacts within the region.

This policy, which appears to contain the assumption that Jordan will not soon be reunited with the West Bank (or at the very least can be implemented as well without the West Bank as with it), seems a natural one for the country. And Jordan has certainly got some of the advantages needed to make it work—a central location, and a reasonably skilled labour force, to name just two. But in an area which traditionally has been notorious for the small scale of its intra-regional trade (other than in re-exports through Beirut) and service transactions, success will not come easily.




## Services

Part of the Government's policy centres on the promotion of Amman as a services base, though in the overall picture services are being de-emphasised. Most conspicuously the Government has introduced the Registration of Foreign Companies Law, no. 46 of 1975, which offers companies setting up regional offices in Amman for the purpose of carrying out business entirely outside the country such privileges as exemption from income and social services taxes, exemption from the need to register with the Chamber of Commerce and professional associations, exemption from customs dues on office equipment brought into the Kingdom—and approval or refusal of the application within one week of its submission. Although it is not part of the law, another privilege given to these companies is priority in the installation of telephone and telex facilities. But a simple lack of capacity has led to delays in companies getting their telephones and telexes—Jordan's telecommunications are still only barely adequate—and there have been instances of firms complaining on this score.

Notwithstanding these problems the authorities claim that more companies than they expected—128 to be exact—have established regional offices in the past 18 months—some coming to the Middle East for the first time and some coming from Beirut.

Other service industries which the Government hopes to attract are those involving equipment maintenance for businesses in other Arab countries—this being an activity which would draw on Jordan's manpower advantages—and those centring on tourism. Several new hotels have been built during the past year or so, and further projects now at the advanced planning stage or actually under construction include a hotel in Amman to be owned by Holiday Inns in partnership with Jordanian interests (Holiday Inns already has a hotel in Aqaba), a Marriot hotel to be owned by a part Jordanian and part Kuwaiti group and managed by Marriot of the U.S., and a project of the Arab Hotels Company (partly Jordanian and partly other Arab) which, apart from its hotel, is putting up an office block and a residential complex.

The one type of service which the authorities have not been anxious to expand—at least as far as numbers of institutions is concerned—has been banking. In recent years a great many foreign banks have asked to set up in Amman—but only two, Chase Manhattan and Citibank, have been given permission, because the authorities fear that an influx of new banks into a country whose total bank assets at the end of February did not exceed US$1bn. would produce over-competition leading to the weakening of the Jordanian institutions in the market. At the same time they do not feel that there would be much purpose in their trying to develop Amman as an offshore banking centre. But they have decided to let some banks open representative offices in the country.

Far more important in the Government's view than the promotion of services is the development of Jordan as a light manufacturing-cum-trading centre. A phrase often used by Government officials discussing the types of businesses they envisage is "value added." This type of activity would be fundamentally different from the trade once centred on Beirut, which used simply to import goods for resale elsewhere in the region. Indeed the Government feels that even if it wanted to promote Amman and Aqaba as trading centres, the country would not have the capital or the foreign exchange required to finance large-scale trading operations.

What Jordan does have in favour of its development as a light manufacturing centre is first of all its position next to the Arabian Peninsula market—a position which ought to ensure fast deliveries. Second, it has a low rate of inflation by Middle Eastern standards (the rate is now reckoned at about 11 per cent.), which should mean that industrial investors in Jordan will not find that increases in local costs will make their products uneconomic between the time of their starting to build and their plant coming on stream. Then the country has been politically and economically stable during the last six years, and by the standards of deficit states in the Arab world it has a remarkably liberal economic climate. Its administration is perhaps the most efficient in the Middle East—one can get things done fast in Jordan. It has a reasonably skilled labour force, and it has an experienced, confident and enterprising private sector.

There is great emphasis in Jordan on the private sector undertaking as much as possible of the Kingdom's economic development on its own—mainly in order to relieve the financial burden on the Government, which is still heavily dependent on aid. The current plan envisages a total private sector investment of JD383m., a figure which includes foreign as well as Jordanian capital.

Given the various advantages Jordan would possess as a manufacturing centre and the desire to see the private sector playing a key role, the Government aims not only to promote indigenous Jordanian industry with a trading orientation—industry which would involve imports of raw or semi-finished materials and exports of finished goods—but also, on a lesser scale, to establish the country as a base which Arabian entrepreneurs might use for their distribution operations or for their own manufacturing. Aqaba contains a free trading zone (and is shortly to have a manufacturing free zone) which could provide a base for distribution operations.

On paper all this sounds ideal as a development strategy, but there are problems. For a start even if Jordan has been politically stable in recent years, many Arabian (and other) investors feel that the situation there is potentially explosive and would feel safer building their new projects at home despite probably higher costs. From the distribution point of view, furthermore, the use of Jordan as a depot will often depend as much on the policy of the western exporting company as on the decision of the Arabian importer.

## Labour

Another problem concerns labour. Even if the Jordanian labour force is relatively skilled and Jordanian management relatively competent, the available supply has been much reduced by emigration to the Arabian Peninsula. (It is interesting that the Koreans working on the Jordan Valley scheme and the Romanians extending the Zerka refinery are importing their entire labour force.) Consequently wages have risen fast at all levels, and some employers, in order to retain or induce back their best labour, have been forced to start paying Arabian sized salaries. Admittedly, this is far from being the norm, but wage inflation has still weakened the competitive position of Jordanian industry. For the Government any policy of limiting the outflow of manpower would be unthinkable, because in 1976 remittances from Jordanians abroad amounted to JD114m. This was the biggest single item on the credit side of the balance of payments and was equivalent to about 40 per cent. of the country's merchandise imports.

Third, there are problems in expanding Jordanian exports to Iraq and, more important, Syria because of the complete difference in economic systems. It is not just that it is still necessary in Syria to obtain Government approval (import licences) for every import deal, even in the unlikely event of the buyer not being a State-run corporation, or that there is still fairly strict exchange control in Syria.

The major long-term problem for Jordanian exporters is one of dealing with a country which uses a completely alien system of calculating the price of commodities — a system which may often make it quite impossible for the exporter to compete. Because in most cases the money is simply being paid by one State institution to another, the Syrians may decide, when calculating a retail or wholesale price, not to include the cost of, say, import tariffs or transport from the port to the place of sale. Similarly the State will not hesitate to import goods at a dumping price from a communist country anxious to dispose of a production surplus.

Consequently the exporter of relatively unsophisticated goods—such as Jordanian industry would be selling—cannot go into the Syrian market and compete. He can only sell if the Syrians decide that they need a particular product from him, and because Syria in future is likely to be developing much the same industries as Jordan, the need for Jordanian exports is not likely to be very great. All these fundamental problems will remain even if the Jordanian-Syrian free industrial zone at Ramtha-Deraa is built, giving the Jordanian manufacturers access to the Syrian market not only without tariffs (which they do not pay at present anyway) but also without the need for import licences.

Yet despite some of these underlying problems, the Government's strategy clearly makes sense for Jordan, and, as the inflow of investment is beginning to show, it is beginning to have an effect. The existing investment encouragement law of 1972 allows certain types of investors to import their capital equipment and raw or semi-finished materials duty free, guarantees free repatriation of profits and capital, and gives tax holidays of six years for investors in Amman and nine years for investors in other areas. This is now about to be replaced by a new law which will give somewhat greater incentives, and will expand its coverage beyond the areas of industry, housing, transport and tourism which are eligible for privileges at present. It should go without saying that in Jordan foreign investors are not obliged to take a local partner and may borrow from the Industrial Development Bank, which, unlike industrial funds in the Arabian Peninsula, lends at a commercial rate of 9 per cent.

In the last five or six months there have been signs of a definite awakening of interest in industrial investment in Jordan. Over JD10m. is being invested by the Arab Petroleum Investment Corporation, the Arab Investment Company and the Islamic Bank (normally a lending institution) in the equity of the Zerka refinery, now undergoing expansion; the Kuwait National Industries Company is investing JD2m. in Jordan lime and silicate brick industries which will be mining gypsum, felspar and kaolin; a Kuwaiti-Jordanian contracting company has just been registered with a capital of JD5m.; the Arab Mining Company, formed by the Arab League's Council for Arab Economic Unity, is taking 25 per cent. of the equity of a potash company (it had originally asked for 40 per cent.); the phosphoric fertiliser plant to be built at Aqaba will be owned 5 per cent. by the World Bank's International Finance Corporation and 25 per cent. by other foreign interests including Agrico of the U.S. and Gulf investors; and the Arab Investment Company is at present considering putting money into a glass factory.

Equally encouraging for the Jordanians recently have been the announcements of the formation of two banks and investment companies, promoted by private Jordanian businessmen with official encouragement. The Jordan-Kuwait Bank and the Jordan-Gulf Bank are both owned 60 per cent. by Jordanians and 40 per cent. by other Arabs (in the case of the Jordan-Kuwait Bank a group led by Shaikh Nasser al Sabah), and although the banks themselves have capitals of only JD5m., they are spawning investment companies with capitals of JD15m.

To encourage further foreign investment, as well as to help channel more of the capital available in the country into productive investment, the Jordanian authorities are now setting up a stock exchange. The necessary law has been passed, the board has been appointed and the necessary revisions are in the process of being made to the Corporations Law of 1963.

At the same time the Government is hoping that it will be able to encourage the development of a bond market so that industrial companies, which have previously relied almost entirely on equity issues and bank borrowings for their finance, will be able to issue various types of fixed interest securities.

**Michael Field**

# Plans to raise farm output

ɪRDAN'S FARMERS have ays bad to operate in hostile ɪumstances. Nature has oot n kind, for rainfall is both ertain and limited on the ble area. And this is a mere ,000 hectares, a fractioo of country as a whole. In the t three years out of four, danian farmers have sufed from drought. Politics, , have made farming difficult. the 1967 Arab-Israeli war, dan lost the West Bank, the ef region for growing fruit 1 vegetables. Thereafter for ns years, Israeli retaliatory ds were ofteo on agricultural tallatioos. But since 1972 ace io the area has permitted icultural activity in the Jor- Valley to begin to pick np.

Jordao's planners have cided to invest heavily in igation and advanced agritural tecboology. Cropping tterns are to he changed to bilise food productioo and raise iocomes in the comratively oeglected agricultal sector of the economy.

Under the Government's 76-80 Five Year Plan iovestnts are to be cooceotrated irrigated areas where 80 per nt. of Jordan's increased sgriltural productioo is expected be generated.

JD72m. is earmarked for ajor infrastructural projects expand irrigation in three eas: the 104km. long Jordao Valley, the Soothern Ghor depression along the Dead Sea basin and the uplands in the northern part of the country.

Another JD40m. is to he invested, at least half by the private sector, to raise food and livestock production, improve soil conservation, expand afforestation, and develop research.

Agriculture had been a declining sector lo the economy. Its contribution to the GDP fell from 13 per cent. in 1971 to 10 per cent. in 1975. Now the combined production and infrastructure investments, wbich are 15 per cent. ef the plan's total aim to increase agricultural income by 40 per ceot. to JD42m. by 1980 at an annual growtb rate of 7 per cent.

The country's major crops are wbeat, barley, pulses, tomatoes, eggplants, watermelons olives grapes and citrus fruits. Apart from tomatoes which constitute about 40 per cent. of vegetable production, and broiler chickens, Jordan is a net lmporter of major foodstuffs, especially wbeat, meat aod dairy products.

About 80 per cent. of the cultivated land is sown with grains, mainly wbeat and barley, wbicb yielded a disappointing 120,000 toos in 1976. In comparison, fruits and vegetables planted oo 18 per ceot. of the cultivated lsnd yielded 270,000 tonnes.

Livestock and dairy production, a relatively oeglected sector of the economy, have beeo bampered by the lack of feed and quality forage. Of the 8.5m. bectares in Jordan classified as range and desert, only 1m. support grazing.

By using marginal lands for fodder prodoction, the 1980 output of clover, maize aod barley for animal feed is expected to he 175,000 tons.

In relataive terms, 1976 was a poor production year for Jordanian farmers. The import-export deficit for grain, fruits aod vegetables amounted to JD9m., with another JD8m. for livestock aod dairy products. Agrgiculture's cootributioo to GDP at faclor cost was 8 per ceot.

However there is to be s two-pronged strategy to improve production. The area under irrigatioo is to be doubled by 1982. The crop pattern is to be diversified at the expense of wbeat and io favour of fruit trees and vegetables. Thereby, fruit production is expected to rise 148 per cent., vegetable productioo by 98 per cent., and wbeat prodoction by 36 per ceot. above its average level of 145,000 tons.

Wheat cultivation, which is very risky in marginal rainfall zones, will contract by 100,000 hectares but be more intensively cultivated and the marginal zooes will coovert to fodder and fruit production, especially oo land sloping 9-25 per cent., with the further objective of arresting soil erosion.

The most significant shortfall in last year's production was wbeat, with production reaching only 66,000 tons, wbereas the East Bank's 2m. residents consumed about 300,000 tons.

## Expensive

And this is expensive, for the Government is consistently dependent on imports and concessionary food grants from the United States' PL 480 programme and United Nations sources, such as UNRWA and the World Food Programme, to make up the deficit. The 1976 commercial wbeat bill was JD9.5m.

In oorthern Jordan, wbere 60 per cent. of the country's wheat is grown, the United Nations Development Programme has initiated a pilot project to bolster prodoctioo and income by introdocing mecbanisatioo, improved eeed varieties, weed cootrol and fertilisers. There is considerable room for lmprovement because Jordanian farmers are among the world's lowest consumers of fertilisers.

Agricultural incomes in Jordan are about half of the per capita income of JD150 for the country as a wbole, and within the rainfed sector the discrepancy is even greater.

Io addition, during the past five years, agriculture's share of the total workforce bas declined from 29 to 19 per cent. The lure of higher wages in urban areas aod the lack of opportunities on fragmeoted holdings have contrihuted to this decline.

In contrast to the rainfed region, the irrigated areas, notably ths Jordan Valley, have been the only exceptions to Jordan's previous pattern of stagnant aod unpredictsble production. For example, the 7 per ceot. of the cultivated land under irrigstioo is now generating 60 per cent. of the value of agricultural prodoctioo. Through the use of plastic tunoels and greenhouses for high-valne, oul-of-seasoo fruits end vegetables, yields are increasing as much as four times over. The value of Jordan's fruit and vegelable exports to neighbouring couotriee last year was JD5m.

Curreotly 38,600 hectares of 77,000 potentially irrigable bectares in the three zones sre under some form of irrigatioo. The proposed JD72m. expenditure in irrigatioo systems, dams, reservoirs and canals will put 34,100 hectares uoder permanent irrigation by 1982.

The lack of water is the most important factor limiting prodóctioo lo the Jordan Valley. The valley's poleotial is governed by the availability of water, which now stands at an estimsted 635m. cubic metres annually, excludiog the Jordao River waters. But with the valley under extensive irrigation, the value of ils fruit and vegetable production is expected to be JD42m. by 1982, compsred to the current level of JD12m.

The proposed development schemes for the valley also represent s radical departure for the Goveromeot in its treatmeol of agriculture, which was largely uncontrolled and left to market forces. Under the supervisioo of the Jordao Valley Authority, crops are liceosed, especially citrus and bananas, whicb are high-users of water. It forms part of a broader scheme for through the JVA, the government is also intending to provide social, bealth, educational, packing and marketing facilities in order to attract 75,000 new residents, inclodiog 40,000 agriculturally-related workers, lo the valley.

Governmeot assistance is becoming more exteosive. Around threequarters of Jordan's 50,800 farm boldiogs are of less than 10 bectares, aod io the past agricultural credit has beeo tightly limited, especially to the small farmer.

The situation is cbangiog, mainly through the Agricultural Credit Corporatioo wbich has doubled its lendiog in the past five years. In 1976 the ACC extended JD2.9m. io credit with priorities oo poultry and egg production, farm mschinery, small-scale irrigatioo projects, tree planting aod terraciog and constructioo of farm houses.

The ACC and the Jordan Co-operative Organisatioo, whose participation base has expended widely in the past few years, leod at 6-8 per cent. for medium, long-term and seasonal loans.

Jordao's Government is aware that there is a limit to the extent of its ability to become self-sufficieot in agriculture, eveo if all plans were to he completely successful. But soy improvement will help the balance of paymeots. In the region composed of Syria, Lebanon aod Jordan, the latter is perbaps the agricultural ares which needs to he developed most, particularly ln more efficieot use of wster. In the end, bowcver, these three countries could provide for themselves all the food they need.

Sharon Blinco and Anthony McDermott

# Labour shortage a new element

JORDAN USED to be the traditional supplier of trained and skilled manpower to the Arab oil States. This role had always been a satisfying one in the years when Jordan itself could not offer enough jobs for its highly educated workers and when emigrant workers sent back hundreds of millions of dollars in remittances to be invested at home.

But the development growth that Jordan has witnessed in the past three years has turned the picture around. Jobs are now plentiful within the country, but the continuing heavy outflow of workers, particularly to Saudi Arabia and the Gulf states, threatens to slow down some vital projects and has added a worrying factor to the inflationary pressures within Jordan.

It is a heavy and rather unexpected irony that Jordan now suffers some serious labour shortages in key sectors, particularly the construction industry. The Government has embarked on a strategy to plug these labour shortages by bringing more women onto the labour market, and by initiating something of a crash programme in intensive vocational training.

Jordan has a relatively small population of 2m. people, with a disproportionately small labour force of 400,000. This is primarily due to the high emigration rate among workers, the very low participation by women (they make up only about 10 per cent. of the workforce) and the fact that half the population is under 16 years of age.

## Skilled

Official estimates show that at least 150,000 Jordanians live and work outside the country, that is over 25 per cent. of the entire Jordanian workforce. These expatriates tend to be highly skilled managerial or technical people, particularly engineers, accountants and others in the finance and banking field, technicians, and experienced senior managerial staff.

It is in these areas that the spot shortages have appeared within Jordan over the past two years, when the developmental fever of the oil states has spilled over into traditionally placid Jordan. The spot shortages are compounded by the fact that Jordan's economy is also slowly shifting its emphasis towards the industry and services sectors—where skilled workers are most in demand.

One result of the brisk demand in the labour market has been a sharp rise in wages. Where an experienced civil engineer could not be found last year for the traditional annual salary of $9,000, offering a salary of $15,000 a year has brought them back to the country. In some cases, such as senior engineers and project managers, annual salaries of $25,000 and higher are now causing some of those who would have worked in the Gulf to remain in Jordan.

But Jordanian public and private companies are incapable of competing with Gulf wage scales across the board in trying to keep skilled taleot at home.

A oovel twist in Jordan's labour picture has been the inflow of thousands of Syrian, Egyptian and Pakistani workers, among others, to fill both skilled and menial jobs. These workers accept the lower wages that small Jordanian companies can afford to pay, particularly in the key agricultural sector and the construction industry (which has taken on a distinctly Syrian and Egyptian labour flavour of late).

But the inflow of several thousand workers a mooth, with practically no state controls, has posed some new problems. Many of the workers do oot have proper housing, health or sanitary facilities, and a recent rise in crime is attributed to many foreign workers who may suddenly find themselves without work and in need of money.

The Government has launched its new Vocational Training Corporation this year with the aim of bringing at least 2,000 new trained workers into the labour force every year. This is to be done through a combination of intensive three- and six-month State-run training courses, vocational training schemes jointly run and financed with large private companies, and apprenticeship programmes arranged on a contractual basis with private and some public firms.

Statistical studies have shown that a full 30 per cent. of graduates of Jordanian vocational schools and industrially oriented secondary schools end up emigrating within a few years of graduating. The same outflow rate applies to graduates of teacher-training centres.

Along with the vocational training approach to compensating for this outflow, the government has set up a new Department of Women's Affairs, under the aegis of the Labour Ministry. The department will oversee and co-ordinate the work of the various ministries involved with providing services to women, particularly in education, health, vocational training and social services. The aim is to encourage and allow more women—particularly the vast pool of employable urban women—to take up part-time or full-time jobs.

A parallel goal is to encourage the development of cottage industries for the women of rural areas and the Bedouin women in the country's vast desert regions. Only about 4 per cent. of Jordanian women work, and the thinking in government is that if this figure can be raised by just a few percentage points, then the Five Year Plan's anticipated labour shortfall of 6,000 workers by 1980 (a figure that is probably too low) may be averted.

The outcome of this race against time is vital, because Jordan's development plans have been slowed down in some cases, such as in the important agricultural sector, because of labour difficulties. The country can also ill afford to keep raising pay scales in an effort to attract the needed workers, as the pressures that have kept inflation at around the 15 per cent. mark for the past several years cannot long be withstood without severe hardships for the fixed-income workers who are at the core of the Jordanlan economy.

The Jordanian Governmeot has, perhaps belstedly, tackled its new labour difficulties head-on. But like almost everything else in the country, the success of its efforts largely remain io the hands of eveots throughout the Middle East, in this case, the regional demaod for more Jordanian workers.

R.G.K.

BURUNDI'S NEW GOVERNMENT

# Trying to live down a violent past

BY JOHN WORRALL, RECENTLY IN BUJUMBURA

BURUNDI is one of the smallest and poorest countries in Africa, with a per capital income of £32 and a desperate need to live down its shocking history of tribal genocida and political assassinations. Hopa of better days has coma with a new Government, which seized power in a bloodless coup last November and proclaimed a Second Republic. The Government is extending a welcome to the foreign Press and Western investment.

Tucked away in tha top eastern corner of Lake Tanganyika, Burundi borders Zaire, Tanzania and Rwanda. It has the economic misfortune to be landlocked. This is alleviated slightly by a shipping route down the lake to Kigoma, in Tanzania, which is the only trada lifeline for the country's coffee crop, tha major export.

But trada has to face the hazards of Tanzania's rail system to Dar-es-Salaam, recently thrown into some disarray by tha break-up of East African Railways. Congestion at Dar-es-Salaam also gives rise to delays.

Burundi is a nature lover's paradise, if a troubled one. Tha beautiful lake is dominated by the mountains of Zaire and in the interior are mountains, fine forests, rivers and rushing waterfalls. The people have great charm.

The new Government seized power when a Supreme Revolutionary Council, headed by Lt.-Col. Jean Bagaza, a handsome young soldier with a degree in sociology, overthrew the 10-year-old regime of Gen. Michael Micombero.

## Youngest

Gen. Micombero, said a Bagaza statement, was "very wearied by immense personal power." That was a polite way of saying that he was drinking heavily, had little contact with the people and seldom ventured out of the capital, Bujumbura. It may signify the coming of less violent days that Gen. Micombero has been "retired" to a comfortable villa in the country.

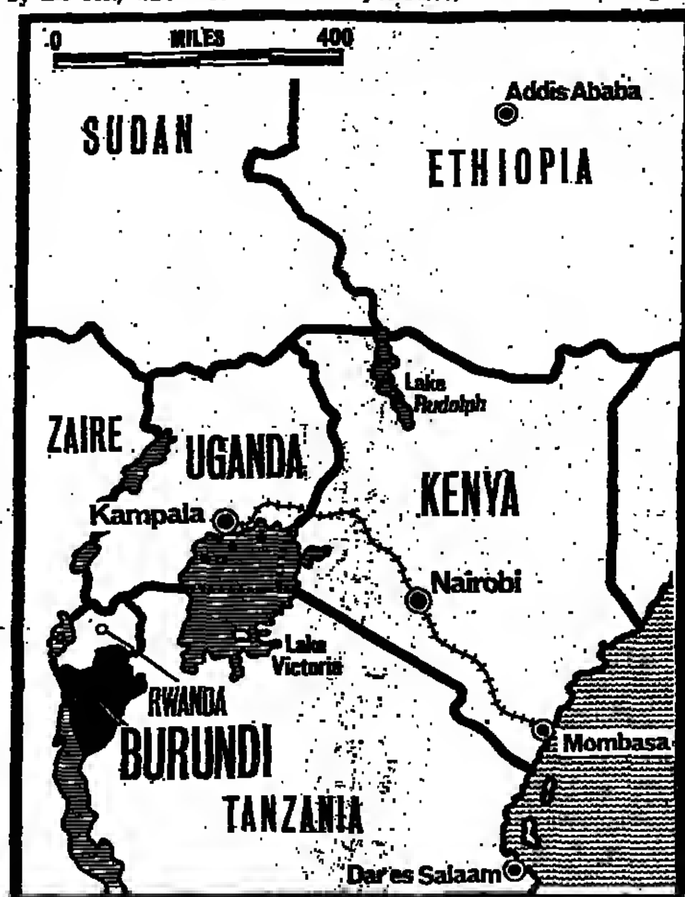
Burundi is a one-party State without a Parliament. As in the past, supreme power is held by the military, though the executive committee, or Cabinet, is almost entirely civilian and composed of young intellectuals and technocrats. It must be the youngest Government in the world, with an average ministerial age of about 32. President Bagaza himself is 32 and the governor of the central bank is 31.

Burundi was given its independence by Belgium in July, 1962, with a constitutional monarchy, but there was a succession of weak Governments. Two Prime Ministers were assassinated and there was an attempted coup against the King, who eventually fled to Europa. He was succeeded by his son, who ruled for about a year until Prime Minister Michael Micombero, a young Tutsi army officer, proclaimed a Republic in November, 1966, with himself as President of an army-dominated one-party state.

For years ethnic struggles dominated Burundi life, with the majority Hutus trying to find a place in the Government process which they were denied by the minority Tutsis.

In 1964 and 1965 Hutu plots were crushed with executions and severe reprisals and thousands of refugees fled to Tanzania. In 1972 the Hutus rose again, killing some 20,000 Tutsi. The Tutsi backlash set off the worst genocidal slaughter known in Africa. Mora than 200,000 people were reported to have been killed.

Since then there has been an uneasy ethnic peace. Gen. Micombero tried to establish intertribal harmony but thare is strong evidence that the Hutu still suffered blatant discrimination at the hands of the Tutsi elite. Will it all change now? President Bagaza has made promises, and one small sign of ethnic conciliation is that there are four Hutus in the Government.




Many of the 2,500 Belgian expatriates, who are mainly in business, fear that Tanzanian-type socialism will be introduced by the new Government, although President Bagaza has promised that foreigners and their property will be secure and is encouraging foreign capitalist investment. During the recent coup, a number of Belgians were expelled on charges of corrupting ministers and fraud.

Tribal peace is essential now to develop the economy of this desperately poor country of 4m. people, squeezed into 19,500 square miles, with a birth rate increasing by 2.5 per cent. a year.

More than 90 per cent. of Burundians live off the land, and only about 20 per cent. cultivate the Arabica coffee which is the mainstay of the economy and brings in 80 per cent. of export earnings. This single crop economy is, of course, extremely vulnerable to market prices and the vagaries of climate and disease. Imports costs are high and much has to be imported.

Coffee had a bad start after independence but production has gradually improved and last year Burundi was able to export some 20,000 tons to the U.S. and Europe. Cultivatable land is scarce but efforts are being made to find more coffee growing land to bring the crop up to 30,000 tons by 1980.

With high world prices, receipts have grown from $34.6m. in 1975 to a record $44.6m. in 1976, bringing a favourable balance of payments and a useful nest egg of foreign exchange reserves.

## Tea crop

The big diversification hope is tea, a recent crop in Burundi, which brought in $1.6m. in foreign exchange in 1975. Another hope is cotton production, which totalled 20,000 tons in the early '60s, but dropped to 4,000 tons in 1975. Efforts are being made to bring production back to at least the old figure.

Burundi's prospects have changed considerably since the discovery of nickel in large quantities, and other minerals, including uranium. Surveys are being carried out by a Romanian group. The big problems facing nickel production are the cost of the necessary infrastructure, the availability of energy, and Burundi's physical isolation. Minerals such as Bastnaesite and cassiterite are being extracted by a Belgian company, and tungsten and columbo-tantalite are possibilities for the future.

There are plans to exploit the resources of Lake Tanganyika, the second deepest in the world, which is known to have huge quantities of fish. Some of it very good indeed. Already 20,000 tons a year are fished for the local population.

But Burundi would suffer if it were not on the receiving end of generous foreign aid for project development—some $170m. in the current development plan. The biggest donor is the EEC, with $9m. in 1975, followed by Belgium, with $8m.

# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS



● TRANSPORT

## Finding a ship to fit the cargo

PROBLEMS involved in the building of very large components for North Sea oil platforms do not end with their completion in the construction company's yard. They have still to be transported to the final assembly point.

Anglian Building Products had quite a few problems when it took on the construction of 261 precast modules which are to form the dome section of the enormous oil platform being built in Loch Carron on the west coast of Scotland by Howard Doris for Chevron Oil. Anglian's construction works are near Norwich so transport problems had to be considered well in advance.

The largest and most difficult to handle units are the 168 dome-shaped modules which are in nine different shapes and range in weight from 49 to 60 tonnes each.

All units (the rest are in different shapes weighing between 27 and 35 tonnes each) are being conveyed by road to Great Yarmouth and there loaded on to ships which have been supplied by Ned Chartering, a firm specialising in the shipping of heavy and awkwardly shaped cargoes. Several months were needed to complete calculations and negotiations.

Ned Chartering obtained five vessels: the 3900 dwt Junior Lilian and Junior Lone owned by Lehmann Junior of Copenhagen, the 2725 dwt Annika on sub-let time charter from And. Smith Rederi AB of Stockholm, the 2725 dwt Rana on a similar charter from Scandinavian Continental Lines and the recently commissioned 3900 dwt Helga Folmer owned by H. Folmer and Co. of Copenhagen.

These vessels have very wide hatches and two of them have reinforced hulls with wing tanks for carrying 1600 tonnes of water ballast to counter pitch and roll when at sea.

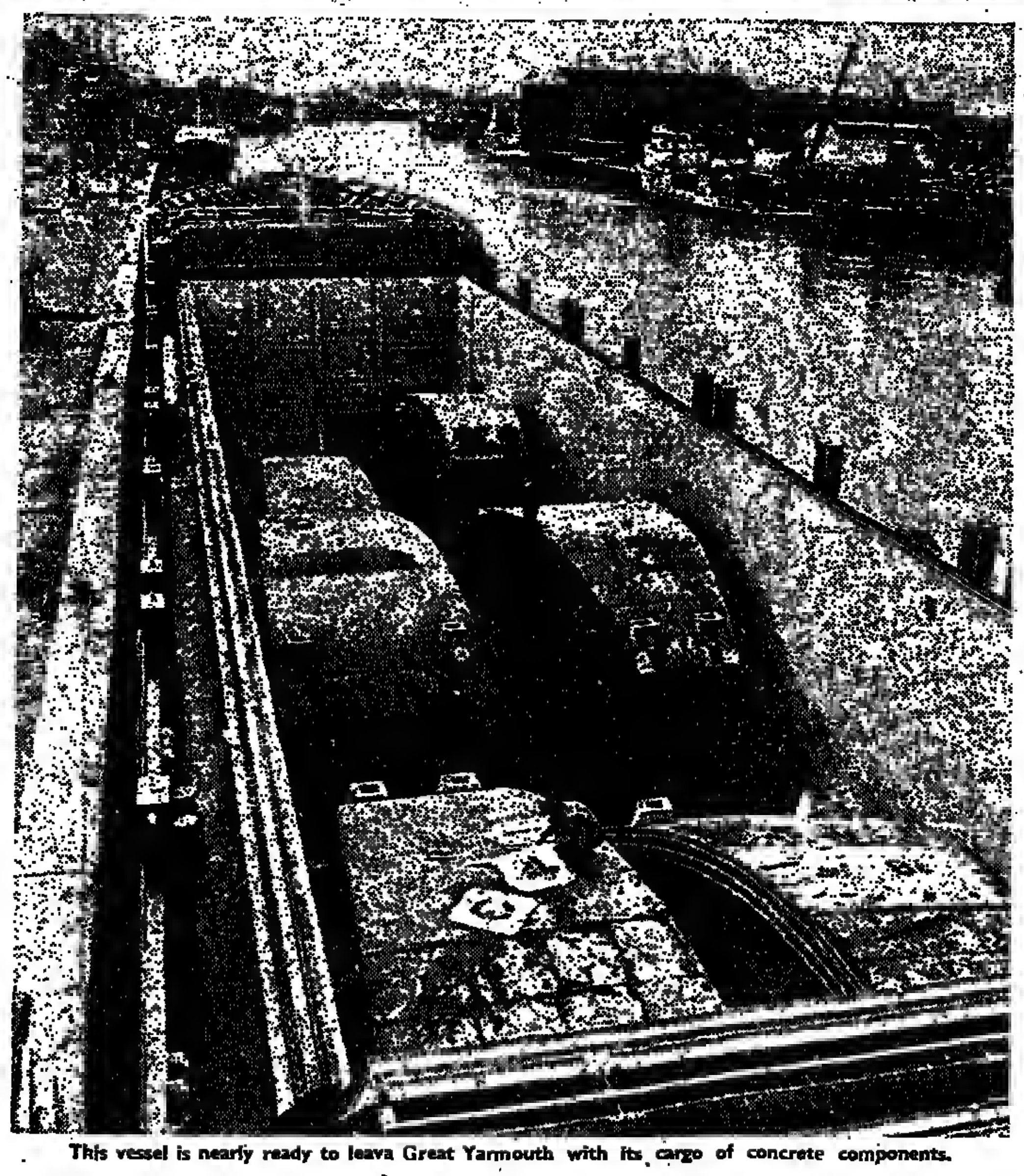
It was necessary to design steel support stools for fitting into the ships' holds and the dome modules are positioned on these and then individually lashed. Designs by Ned Marine b.v., the steel support frames were built by A. Schreuders Staalbouw of Rotterdam. Lashing and securing is being done by a team of six supplied by Offshore International of Rotterdam.

Stool design calculations had to take account of the fact that each stack of three dome modules would weigh 180 tonnes (the larger vessels can take eight stacks per shipment) and there were also the requirements laid down by Noble Denton and Associates the marine consultants involved.

Among these considerations was the ability to resist a transverse roll of 30 degrees and a longitudinal roll of 15 degrees maximum. Forces produced by such rolls are borne by the support stools alone.

The stools, each weighing between 3.9 tonnes and 4.1 tonnes, cost £105,000 to design and fabricate. It is expected that delivery of all of the 261 platform units constructed by Anglian Building Products will be completed early in June.

Ned Chartering, which operates from Sunley House, Gunthorpe Street, London E1 7RW (01-247 3232) is represented on the Baltic Exchange by 12 brokers and handles nearly 700 ships a year.



This vessel is nearly ready to leave Great Yarmouth with its cargo of concrete components.

## Guiding juggernauts

TRUNKROUTER describes a vehicle scheduling package intended primarily for the control of fleets of large to very large lorries used in the transport of goods between plant and warehouses or dock and warehouse, and frequently involved in back-hauling.

It was designed and adapted after consultations with managers of such fleets, which have constraints not applicable to secondary transport systems—warehouses to retailers—and is marketed by SPL for the National Physical Laboratory.

Users can obtain planning information and optimum solutions to problems such as where to base vehicles, how goods should be carried and which routes should be used.

There is a fair amount of reluctance to use scheduling packages because of the well-publicised defects of the early ones which have tended to suggest the busiest parts of some large cities as the "best spot" in which to site a juggernaut pool.

However, according to a spokesman for the company, there has been extensive testing of the package on real life situations and SPL is confident that it can be shown to work effectively.

Trunkrouter is under consideration at the moment by hotel and brewery chains as well as large chemical and agricultural organisations.

SPL International, 12 Windmill Street, London W1. 01-636 7833.

● DATA PROCESSING

## IBM mini challenge

"IF YOU CAN'T beat 'em, join 'em" is an old and useful adage which IBM World Trade clearly proposes to follow, according to a number of senior staff at yesterday's World Trade Corporation launch of Series 1, first presented to the North American market some six months ago.

It is hard to define this IBM product, which is, of course, changing as the months go by and U.S. users find new applications. It started as a "naked" mini. But there was no discount for multiple purchases, though the company was prepared to sell it for OEM purposes. There are a number of applications programmes. But, in general, local software houses of high repute are drawn into the support of his product on the applications side.

Yesterday, a little more detail of the way in which the machine is designed was allowed to transpire. The IBM mini is a series of microcomputers—up to 20—working to a central communications channel.

Most of these micros, the central processor excepted, come from a basic, versatile large scale integrated circuit chip designed at Fishkill which has been used elsewhere in the contemporary equipment from IBM and, in this instance has been turned into "personalised" micros for the Series 1.

With the processor unit go two printers, two types of disc, two displays and a series of add-ons either for input/output arrangements, or for the number of devices the central processor can run. To talk to all this, the system can use either IBM's PL/1 language or Fortran IV to which some additions for working in real time have been made.

Apart from guaranteeing equipment support and systems support where IBM is the sole supplier, the buck stops. Very little applications software, apart from the building services control package demonstrated at the presentation, is available. Clearly this is an invitation to the software houses to move in and help and three —Cap, Altergo and JBS— have already indicated that they are ready and qualified so to do. Cap is developing Series 1 Cobol.

Each has ordered one of the new units, made for WTC in Italy.

The computer-using community is entering a period of even greater uncertainty than before since the makers of micro-computers promise devices of extremely high power for a few pounds, which will supplant the minis and thus the large general purpose machines. The mini-makers claim that they are already displacing the big machines and doing the same job for between a third and a quarter of the cost, and Citibank (U.S.) is a case in point. And all the makers of traditional computers, bar ICL, have come out with a general purpose mini. U.S. observers predict IBM will have some 20 per cent of the predominantly American-based mini computer market by 1985.

## Deals with the offers

FOR many magazine publishers considerable work arises from the offers of goods and services made editorially. To reduce the load IPC magazines has ordered one of Scicon's new IBS 2000 computer business systems.

It will be used for processing orders from editorial offers and from a direct mail catalogue. Letters enclosing order coupons, cash, cheques and credit card authorisations are collated into bundles of 50 or 100, depending on the complexity of the order, and summary information is put into the computer.

The data is validated and total cash received is reconciled against items ordered and catalogue prices. Consignment notes are produced as instructions to suppliers who despatch the goods and these are progressed through the computer.

Based on a Hewlett Packard HP 21MX computer with 15 megabytes of disc the system will allow IPC to reduce the temporary staff it needs at Christmas and other peak times and will also provide analyses of the various offers more quickly. Scicon is on 01-580 5599.

## Emphasis on user

THEME of this year's Datafair, which will take place on October 4, 5 and 6 at the Cunard International Hotel in London is to be "The End User."

Arranged by Oyez International Business Communications on behalf of the British Computer Society, the conference will include a display of advance technologies relevant to computing called "Technology Corridor" where up-to-date phenomena such as holography and bubble memories will be featured.

Main themes of the papers for the three days will be the user in a social environment on day one, how new and emerging technology will affect the user and the convergence of computing communications (day two) and the inter-relation of state and private industry with reference to how the end user will be affected, on the final day.

Fees for the conference, at which some 700 delegates are expected to attend, will be £105 (£90 for BCS members). BCS students will be charged only £25. More from the conference office which is at Oyez IBC, Norwich Street, London EC4 (01 242 2461).

## Versatile graphics

MADE BY the Megatek Corporation in the U.S. and available from Terminal Display Systems of Blackburn is the Megraphic 5000 intelligent graphics system aimed at engineers, scientists, designers and programers.

Incorporating a 16-bit Nova 3 mini this total refresh system offers selective erasing of points, vectors, characters or any combination of information without affecting the remainder of the image. Translation, rotation and scaling are also provided.

There are 16 selectable levels of intensity and the set level remains constant regardless of the line length. High resolution is achieved using a 21-inch magnetic crt.

Software is designed to yield uncomplicated use, and both Basic and Fortran applications packages provide ease of communication for the non-specialist in computing. Users can locally edit, add, delete, translate, rotate, blink or dash lines and characters without intervention from the host computer. Megraphic 5000 is completely compatible with three Data General operating systems. More from TDS at Hillside, Whitebirk Estate, Blackburn BB1 5SN. Lancs. (0254 662244).

● COMMUNICATIONS

## Multi-purpose switch

WHAT could almost be described as a universal digital data switch has been brought out by Collins Commercial Telecommunications Group (Rockwell International) that will make it possible to integrate telex, store and forward message services and high-speed data switching.

Such capabilities can be provided on first installation or be added bit by bit at some later stage.

The developers say the switch can be used as an international gateway, national trunk or local subscriber exchange, or a combination of these.

This design is compatible with applicable CCITT recommendations and the switch is now being marketed to PTT's everywhere.

Graduated systems can be built up from as few as 480 terminations to over 20,000. Building blocks in the exchange consist of a single network control group which provides programmed control and reporting functions and one or more call service groups which process the calls and switch the circuits.

Overseeing both is the administrative data system which provides a continuous check on the operating status of the network, the exchange and the flow of traffic through it.

More from Rockwell International, Collins Divisions, POB 10462, Dallas, Texas 75207, U.S.

● NAVIGATION

## Plastic light buoy

FASTER, cheaper servicing under a wider range of sea conditions is claimed for a new glass fibre reinforced plastic 1.6 metre diameter general purpose light buoy from AGA Navigation Aids, 77 High Street, Brentford, Middx., TW8 0AB (01-560 6465).

Buoyancy is provided by polyurethane foam filling, and the buoy is ballasted with concrete. It is fitted with gas cylinder or battery pockets angled at 50 deg. from the vertical. Gas cylinders or pre-wired battery sets are mounted in shaped grp containers which can be slid in or out of the pockets without the maintenance crew having to leave the service launch.

The buoys are said to be suitable for use in estuaries or rivers, including on stations which dry out. They accommodate the new System A lateral and cardinal marks and a wide range of gas or electric light units flashing the new characters. A radar reflector can be fitted within the grp can, cone or cylinder day mark, and the day marks are readily interchangeable.

● COMPONENTS

## Makes a clean break

INTRODUCED by Highland Electronics is a line of illuminated low level push-button switches designed for small power electronic applications where clean switching is necessary.

Each pole of the switch employs four self-cleaning contacts which are constructed so that each vibrates at a different rate thus reducing contact bounce to a maximum of about 100 micro-seconds.

Designated 31 LL, these switches are rated at 100 mA 50 V and are available with momentary or maintained action versions with various contact formations.

The switches have terminals that can mount directly on to printed circuit boards with a quick-connect push-on action, or they can be plugged into a PCB socket. The illuminated legend screens are in nine different colours and can be marked as required. More from the company at 8 Old Steine, Brighton BN1 1EJ (0273 693688).

## Adjustable shelving market bid

ONE OF the U.K.'s largest manufacturers of adjustable shelving—Spur Systems International—is to set up a network of dealers in what it calls the German speaking markets. Aim is for a turnover of over £100,000 in the first year and an annual figure of £500,000 within three years.

Spur is paying particular attention to the shopfitting and do-it-yourself markets in the German Federal Republic, Austria and Switzerland. The company says its present production capacity is sufficient but is ready to expand it and introduce new work shifts should there be a big increase in orders.

Spur, a subsidiary of Savage Industries, has its headquarters in Otterspool Way, Watford, Herts. WD2 8HT (Watford 34528).

*● By agreement between the Financial Times and the BBC information from The Technical Page is available for use by the Corporation's External Services as source material for its overseas broadcasts.*

● ELECTRONICS

## Cuts the test load

ACCORDING to Teradyne it makes little sense to occupy a relatively expensive diagnostic printed board tester with the detection of frequently occurring faults of the same kind. The throughput of the tester can easily be restricted in this way.

Track, pad and pin solder shorts are the worst offenders, and now Teradyne has introduced an equipment solely devoted to their detection, the L429.

Major elements of this floor-standing unit are a shorts detection electronics unit with controller and a board handler which uses "bed of nails" test plates.

The system makes a single electrical contact to each circuit stripe or component pad through the bed of nails. It then quickly tests each node to every other node and prints the location of any shorts on a strip printer in the controller panel.

The active and passive components in the tested circuit have no effect: they appear as an open circuit during testing due to the voltage and current levels used and the decisions the equipment takes on measured resistance values. In addition, when a short is detected an eight millisecond delay is introduced to prevent erroneous results that might be caused by large capacitors.

Virtually any board up to 17.5 x 14 inches can be accepted by the board handler which uses a matrix of gravity rods to give an even pressure over the upper surface of the board to ensure good contact with the bed of nails underneath.

Teradyne states that the unit can considerably expand the capacity of any installed diagnostic system, often to the point that extra equipment will never need to be purchased. The company is on Weybridge 51431.

# PARLIAMENT and POLITICS

## Callaghan lashes Daily Mail

BY PHILIP RAWSTORNE

MR. JAMES CALLAGHAN ripped savagely into the Daily Mail in the Commons yesterday. "It has reduced jonrnalism to a lower level than I can remember for many years," he snapped.

The newspaper's story and editorial abont British Leyland's alleged "slush fund" had been "contemptible . . . a display of political spite."

Lord Ryder, chairman of the National Enterprise Board, was suing the newspaper, so there was no point in repeating its comments abont him, said the Prime Minister. Then he spat them out: "Sleasy . . . repntation irretrievably stained . . . abnse of pnblic trust."

Conservatives sat in embarrassed silence as Labonr MPs cheered the Prime Minister's biting attack.

"I hope the Daily Mail has learned its lesson" said Mr. Callaghan. "It never will," shouted Labour MPs. "Perhaps not," the Prime Minister agreed, admitting that he had been astonished by Mr. Vere Harmsworth's statement of confidence in his editor.

"To be proved wrong and vindictive at the same time is really a remarkable combination," he snarled.

Mr. Callaghan said that he would raise the issue with the Royal Commission on the Press—but Labour MPs were intent on tossing it around there and then.

Mr. Ian Wrigglesworth (Lab., Thornaby) said that the newspaper's associate editor, Mr. Stewart Steven, had resigned. "Bnt this is not adequate recompense for the circumstance's that have arisen as a result of the activities last week. We want the organ grinder not the monkey."

Immense and irreparable damage had been done to British exports and jobs by the affair, Mr. Geoffrey Robinson (Lab., Coventry NW) protested.

"I do not believe that the editor of the Daily Mail is really concerned with the jobs of people or the reputation of the organisation," Mr. Callaghan responded bitterly. "He was concerned with trying to smear the Labour Government and bring down a nationalised industry."

Labour MPs bellowed to Mrs. Margaret Thatcher, the Conservative leader, to speak on the issue, cheered as she rose, and howled her down again as she questioned the Prime Minister about the pay of troops in Northern Ireland.

Mr. Stan Newens (Lab., Harlow) complained that there had been so much noise that he had not heard whether Mrs. Thatcher was dissociating herself from the "disgraceful behaviour" of the Daily Mail. Would the Speaker allow the Tory leader another opportunity to speak? He asked.

Points of order were not to be used for nipping political opponents, Mr. George Thomas indicated.

Mr. Nicholas Budgen (C., Wolverhampton SW) suggested that the issue was sub judice and should not be discussed. The Prime Minister's comments could be used later to increase damages, he protested.

That thought roused Labour MPs to more cheers, which turned to hilarious jeers as Sir David Renton (C., Huntingdon) complained that the Prime Minister's attack might impugn the credibility, as witnesses, of the Daily Mail's editor and staff.

It was "an appalling suggestion" barked Mr. Jeremy Thorpe, that the Commons should be denied comment.

Mr. John Mendelson (Lab., Penistone) agreed, demanding an emergency debate on an affair which, he said, had impugned the conduct of Mr. Eric Varley, Industry Secretary, and damaged Britain's standing as a nation.

What had been said so far had been in order, the Speaker ruled. But he allowed it to go no further.

## Worker directors plan proposed by Manifesto Group MPs

BY RUPERT CORNWELL, LOBBY STAFF

THE MANIFESTO Group of Labour MPs has put forward their own plan for a two-stage introduction of industrial democracy under which, after a three-year interim period, all a company's workers would be able to stand for election to its Board.

The blueprint issued yesterday is an attempt to get things moving again on this contentious but now stagnating issue. At the moment, the original Bullock proposals are in limbo, disliked by several Ministers and with little or no chance of seeing the Statute Book in the life of this Parliament.

The moderate Manifesto MPs believe that the majority report of the Bullock Commission has been unfairly criticised insofar as it did at least set out a model. But its recommendations they argue, will have to be more flexible if real progress towards industrial democracy is to be made.

The first phase of their programme would involve enabling legislation to legalise the appointment of worker directors in both public and private sectors.

The MPs want to see a new Industrial Democracy Commission created at an early stage. This would give advice to both management and unions on the introduction of participation schemes and would exert pressure on the nationalised industries to set an example.

The second and more detailed phase would only come into effect three years after the enabling Bill had become law. At that point, the workforce of any firm employing at least 2,000 people would be automatically entitled to one directorship.

The manifesto scheme then makes the following specific points:

1—A trade union could only put forward its own candidates if it represented 30 per cent. of all workers. The majority in favour would have to be at least one-third of all employees.

2—Employee representatives would be elected by a vote of all workers and everyone would have the right to stand. The group adds that it would hope that the trade union ticket would be successful.

3—The workers would sit on "policy" Boards which would have overall control and appoint management Boards.

4—Policy Boards should contain an equal number of directly elected worker and shareholder members. Outsiders could be included but the chairman would normally be chosen from within the company.

## Stansted expansion predicted

BY JUSTIN LONG

STANSTED AIRPORT'S investment potential has been increased by new factors, one of them evident only in the last few weeks, Mr. N. J. Payne, chairman of the British Airports Authority told a Commons Select Committee on nationalised industries yesterday.

Predicting expansion for Stansted, Mr. Payne pointed out that the airport's future was still very much in the melting pot. Its true role would not emerge until the Government White Paper was published later this year.

In spite of this situation, which tended to hold back major investment decisions by airlines, Stansted's good access to London gave it particular advantages.

Even during congested times, access was comparable to that at Heathrow, Mr. Payne said.

Since early April, the M11 had begun to give Stansted a further advantage. "We anticipate that this motorway and good access will make Stansted far more attractive to airlines in the future," he added.

## Right to affirm

PEOPLE AFFIRMING rather than taking the oath in court would not have to give a reason for their choice, under a successful Tory proposal in the Lords yesterday.

## Howell voices pay policy fears

By Ivor Owen, Parliamentary Staff

FEARS THAT the Government is preparing to pay too high a price to secure a paper bargain on a Phase Three incomes policy were expressed by Mr. David Howell, a Conservative spokesman on Treasury affairs, last night.

Opening a general debate on the economy, when consideration of the Finance Bill was resumed in standing committee, he complained that the prevailing doctrine in Whitehall was "anything to get a deal out of the TUC."

Mr. Howell also detected "a strong aroma of a pre-election boom being worked up." This, he warned, could lead to fresh disasters which would make even thosa of 1976 look puny.

The Opposition was apprehensive about the Government's whole approach to Phase Three. It seemed to be constantly bidding up the price it was prepared to pay for a pay deal, even to the point where the inflationary components of the price far outweighed any counter-inflationary effects which might be achieved.

The pay deals resulting from Phase Two, when compared with the basic amounts on which agreement was reached, showed the dangers of wage drift.

If the Chancellor were to secure a piece of paper for Phase Three, embodying a figure of 10 per cent., the outcome with wage drift would be settlements in the relatively high teens.

Mr. Howell urged the Government not to become divorced from reality. It should act firmly and decisively in its own role as employer in the public sector which covered 30 per cent. of the labour market.

While agreeing that it would be wrong to pay too high a price for a Phase Three agreement, Mr. John Pardoe (L., North Cornwall) argued that the Government could legitimately throw into the bargaining process the offer of a very substantial reduction in income tax.

He envisaged the standard rate being reduced to 20 or 25 per cent. with the threshold being raised very considerably. This would enable the Government to offer a package which would be deeply attractive across the whole population.

Mr. Pardoe suggested that the reduction in income tax would have to be effected over two Budgets certainly over two years. He would look to 1979 for the fulfilment of the final stage of the reduction. He wanted to see the standard rate of 20 per cent. applied to incomes up to £7,000 a year, and the maximum rates at the top reduced to 50 per cent.

He proposed that these tax remissions should be financed through an increase in the National Insurance contribution paid by employers—an increase which over a period of two years would bring their total contribution to 20 per cent.

## Booth caution on jobless target angers Tories

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

A HINT THAT the Government will not be able to achieve its target of halving unemployment to the figure of 700,000 by 1979 was given by Mr. Albert Booth, Employment Secretary, in the Commons yesterday.

"It is not the target that is in question. It is the time scale that is in question," he told MPs during a debate on a Tory motion on the high rate of unemployment among young people.

For the Opposition, Mr. James Prior, shadow Employment Secretary, said there could be no confidence whatever in the Government's ability to reduce overall unemployment despite the improvement shown in the latest figures published yesterday.

Mr. Booth faced demands from the Tories that he should say categorically whether the Government still adhered to the target laid down last year by Mr. Denis Healey, Chancellor of the Exchequer, that the level would be reduced to 700,000 or 3 per cent. by 1979.

Mr. Kenneth Baker (C., St. Marylebone) intervened in the debate to tell the Employment Secretary that it was totally unrealistic to base policy on this target if it could not be achieved.

He called on the Government to face up to reality and declared: "Many commentators believe we are going to a period of rising unemployment, possibly to levels we have not witnessed in many decades. So is it still the object of the Government to reduce the level of unemployment by half, or is that target now abandoned?"

This drew a cautious and highly qualified reply from Mr. Booth. After referring to the time scale being in question, he went into a long explanation about the fact that the reports from sector working parties could now give more accurate indications of job prospects in various industries. Some indicated improvements and some did not.

"Until every aspect of the industrial strategy can be achieved it is not possible accurately to forecast the time scale on which we can achieve that target. I believed at the time it was a realistic one, and it is one we must maintain," he added.

This brought an angry protest from Mr. Prior that the Secretary of State had not answered the question at all. It now seemed, he said, that the Chancellor had "plucked the figure out of the air" and that Mr. Booth was now saying there had been no justification for it.

But Mr. Booth replied that he was not saying there was no justification for the original assessment. However, it was now possible to refine much more accurately what levels of employment could be achieved. "We would then be able to see the areas in which growth could occur."

Mr. Prior, tracing the history of the Chancellor's forecasts, said that in December 1975, with unemployment at 1,125,000, Mr. Healey had said there were signs of the recession "bottoming out."

"In the middle of 1976, with unemployment at 1,185,000, he said the Government had set itself the target of getting the figure down to 700,000 by 1979.

"In July 1976, with unemployment at 1,242,000, he said that the prospect for jobs looked better by the end of the year. In September 1976, he predicted a substantial decline in the unemployment rate in the next few months."

Mr. Prior commented: "Throughout these two years, the Chancellor was prophesying that everything was going to get better after a few months. And each time he has been proved to be wildly wrong. That is the complacency of this Government.

"I have no confidence whatever in the Government's ability to solve the unemployment problem or get this country moving again.

"We have had three years in which production in this country has been absolutely static, three years in which unemployment has risen to almost record levels, three years in which taxation has been higher than ever before."

Outlining the Conservative ideas for job creation, Mr. Prior said: "Until we get proper tax incentives and allow tax incentives and competition to work in the economy we are not going to make any progress. That is at the root of the problems of unemployment."

In particular, he suggested there should be specific tax incentives to encourage highly skilled workers and to train them. He also called for a more dramatic scheme to assist small businessmen.

The Conservatives believed "in allowing the economy and the market to work to provide the incentives and opportunities." He was doubtful about the long-term value of the Government's job creation programme. In fact, he thought that the money would be better used in relieving the tax burden on industry so that it could create more permanent vacancies.

Mr. Prior emphasised that it would not be possible for the public sector to continually provide more employment. He predicted that in the next few years there would be less public sector jobs available and further curtailment on public expenditure.

Interest rates had fallen and, if there was stability for a time, job creation would follow and the economy would get going again. "By being tough on the public sector, we shall create more jobs and not lose any jobs," he said.

## MPs call for comprehensive approach to problem

BY ALAN PIKE, LABOUR STAFF

IT IS IMPERATIVE to have a comprehensive and continuing programme to combat unemployment, particularly among 16-18 year olds, members of the Commons Expenditure Committee argue in a report published yesterday.

The MPs support the call of the Manpower Services Commission, in its report, Young People and Work, published last week, for a comprehensive approach towards tackling the problems facing school leavers. "It is impossible for us to estimate how many people might be involved in such a programme, but we are convinced that increasing numbers of young people will face longer periods of unemployment in the 1980s."

Such a programme might cost half as much again as the present Government measures aimed at combating youth unemployment. But a co-ordinated, more comprehensive programme would have improved cost-effectiveness.

There were dangerous social consequences apart from important economic ones, if young people, particularly in depressed inner-city areas, had to cope with long periods of unemployment.

The report deals specifically with the Job Creation Programme, a major part of the Government's current measures to alleviate unemployment.

The MPs, members of the social services and employment sub-committee of the Expenditure Committee, stress that, since the programme was set up in October, 1975, employment prospects have worsened. The rules changed while the game was being played and it now seemed to many people that the unemployment problem was not cyclical but structural.

This shift of view, supported by many authorities, made it urgent that the unemployment problem should be considered in terms of policies for the next few years rather than the next few months.

In these circumstances, priorities for a new comprehensive scheme should include areas of higher-than average unemployment among 16-18-year-olds, areas with the most severe structural unemployment and inner city areas. There was also a particular problem concerning newly-qualified teachers whose unemployment meant that the cost to the State of training them—about £7,500 each—was wasted.

On the job creation scheme itself, the report says that it should continue, combined with other programmes, as a contribution towards mitigating employment problems. In suitable cases, the present 12 months' time limit on projects should be extended; and the criteria preventing companies making profits out of schemes should be relaxed to encourage more private sector involvement.

The committee was told by the Manpower Services Commission that at the beginning of the year only 2 per cent. of projects had been sponsored by private companies, largely because of difficulty in finding projects which had community benefit and would not yield any profit.

Despite reservations expressed by both the CBI and TUC about the possible problems of commercial competition, the MPs recommend that "every effort" should be made to relax the profitability criteria.

*Seventh Report from the Expenditure Committee. Session 1976-77: The Job Creation Programme; Report H.C. 394.*

## EEC effect on prices queried

IT WAS IMPOSSIBLE to calculate the effect on food prices of EEC membership, Government spokesman Lord Strabolgi said in the Lords yasterday.

Lord O'Hagan (C) asked if the Government did not know tha answer, or whether it accepted that the major reason for rises in food prices lay outside the CAP.

Lord Strabolgi said it was difficult to make calculations on hypotheses. It was not possible to estimate how much we would have had to pay for food if we were not in the EEC and we had entered the world market as a *major purchaser.*

Lord Sainsbury (Lab.) said we did not grow tea, coffee, cocoa or soya beans, all of which were dependent on world prices. Nor could a Government be responsible for a drought. The political parties should stop playing the dishonest price game.

Lord Campbell of Croy (C) said the steep fall in the value of sterling had contributed to food coming from outside the Common Market being so expensive.

Lord Strabolgi said the EEC Commission had calculated that last year food prices in Britain had risen by 18 per cent. but prices attributable to the CAP only rose by 9 per cent.

## Safety plea by Minister

LEGISLATION alone could not cope with the toll of 350,000 accidents at work which aach year included 600 to 700 deaths, Mr. John Grant, Employment Under Secretary, said yesterday.

Education of management was crucial if industrial attitudes to safety were to change, Mr. Grant told the conference at Harrogate of the Royal Society for the Prevention of Accidents.

## Plaisterers' garden

THE CITY of London Corporation's Court of Common Council will be asked at its next meeting to approve a plan by the Plaisterers Company to create a Silver Jubilee garden by their hall in Noble Street. The site is bordered by the remains of Roman and Medieval walls.

## Peyton urges action to save pig industry

THE PIG INDUSTRY is in a situation of "very great gravity" and threatened with total disintegration, Mr. John Peyton, shadow Agriculture Minister, said in the Commons yesterday.

He called on Mr. John Silkin, Agriculture Minister, to discuss measures to save the industry with his colleagues from other EEC countries while they were in London this week.

Mr. Edward Bishop, Minister of State, Agriculture, assured MPs that Mr. Silkin would press on his colleagues and Mr. Gundelach, tha Commissioner responsible for agriculture, the need for urgent action to help the U.K. industry.

He said they had already had very full discussions about the implications of the European Court's decision last Saturday ordering Britain to cease the £1m. a week subsidy paid to the domestic industry.

Mr. Silkin would make a statement about the future of the subsidy before the Commons rose for the Whitsun recess on Friday.

Mr. Norman Buchan (Lab., Renfrew W) said the court's action was unprecedented. It was a judicial attempt to prevent *us running our own industry*, and any attempt to reject it would be backed by the industry and the people of this country.

Mr. Clement Freud (L., Isle of Ely) said there should be no attempt to sell-out the industry for the sake of EEC bureaucracy.

Mrs. Gwyneth Dunwoody (Lab., Crewe) said: "The increasingly political decisions being taken by the European Court of Justice, particularly in agriculture, should be a lesson to us.

"The agriculture directives of the EEC should no longer be automatically applied in this country until they have been decided by the Commons."

## Pension details to-day

BY ERIC SHORT

INCREASES IN pensions and other social security benefit levels will be announced to-day by Mr. David Ennals, Secretary for Social Services. The uprating will cover the whole range of benefits and will take effect some time in November, a year after the previous increase.

Under the 1975 Social Security Act, the Government has a legal obligation to preserve the value of old age pensions by reviewing them at least once a year.

The basis laid down in the Act is movement in national average earnings or any other measure that the Secretary of State thinks fit, the implication being that if prices have increased faster than earnings, then the retail price index would be used rather than an earnings index.

Last year's uprating was based on a forecast of price movements over the 12 months from November 1975. This was criticised by the Tory Opposition, trade unions and retirement pressure groups, although the forecast of 15 per cent. turned out to be accurate.

However, with the annualised inflation rate now approaching 20 per cent., the figure of 14 per cent. suggested this year looks to be on the *low side.*

## Price checks

A BILL to allow on-the-spot price rise investigations by local trading standards officers was given a formal first reading in the Commons yesterday.

Mrs. Betty Boothroyd (Lab., West Bromwich, W.), who complained that housewives were "fed up of being conned," was given leave to introduce her Price Control Bill by a majority of 13. Voting was 192 to 179.

## Written Answers

### TREASURY

**Mr. John Pardoe (Lib., North Cornwall). Will the Chancellor estimate the revenue which would be obtained from a 5 per cent. rate of value added tax levied on all the goods and services which are currently zero rated? Will he estimate the effect of such a tax on the retail price index?**

Mr. Robert Sheldon, Financial Secretary. On the basis of consumers' expenditure, of which *about 30 per cent. is zero-rated,* it is estimated that the revenue yild would be abont £1,150m. in a full year; the effect on the RPI would be an increase of aboot $1\frac{1}{4}$ per cent. If the tax were fully passed on in increased prices.

### TRADE

**Mr. Christopher Brocklebank-Fowler (Con., Norfolk N.W.). What criteria are considered by ECGD in providing insurance for British contractors tendering for business in Libya? How these compare with facilities provided by other EEC countries?**

Mr. Michael Meacher, Under Secretary. ECGD cover for exports to Libya is available against the Department's normal *commercial underwriting criteria*, having regard to past experience and future prospects. The larger projects are considered case by case in the light of the security for payment. It is understood that othar EEC credit insurers also *adopt a broadly similar approach.*

**Mr. Ron Thomas (Lab., Bristol N.W.). What is the estimate of tha proportion of British exports reduced in price consequent upon devaluation of the £ sterling? What is the estimate of how many firms refused to reduce their prices in foreign markets in order to increase their profits?**

Mr. Michael Meacher. Information on which to base either of these estimates is not available. However, U.K. export prices rose 25 per cent. over the period December 1975 to December 1976 as against a depreciation in sterling of 17 per cent. over the same period.

# The Management Page

EDITED BY CHRISTOPHER LORENZ

ACCOUNTING

## Radical shift in the pattern of profits

MICHAEL LAFFERTY

...ew accounting rules are ...ounced to-day for calculat... the tax charge in company ...it and loss accounts, and ...related deferred liabilities ...alance sheets. The rules ...contained in a draft ...unting standard called ...osure draft 19 (ED 19). ...y follow a storm of protest ...year against the account... profession's previous rules ...deferred tax accounting.

...IS EASY to argue that ...ing has really changed, and ...the accountants are just ...ing the rules for calculating ...ts again.

...t the result is certainly ...ing. It will bring about an ...age increase of about 30 ...cent. in companies' reported ...-tax profits. For some com...es such as Westland Air..., Debenhams, and Bath and ...land Group the change, ...ied to their reported 1976 ...lts, increases post-tax profits ...between 100 and 250 per ...

...e new proposals will not ...do wonderful things for ...pany profits, they will also ...g about a dramatic re...nisation in the balance ...t. For the most part, that ...dled liability known as de...ed tax will disappear into ...eholders' funds.

### Consequences

...he change could have ...ral consequences. Under the ...rules annual tax charges, ...hence post-tax profits, will ...to fluctuate much more and ...effects of increased invest... ...t will show up much more ...iously. This may mean that ...kers will have to re-assess ...ir lending policies, and it ... undoubtedly mean a ...gher life for company ...ditors.

The problem arises in the ...st place because of the way ...which company profits are ...essed for corporation tax. ...ionally, profits are taxed as ...y are earned at the standard ...oration tax rate of 52 per ... But in practice this is no ...case—for four main reasons. ...rst, some types of income ...t as interest and royalties ...taxed on a cash basis—that ...he year in which the money ...ctually received—which may ...necessarily be the same ... in which the income was ...ted and treated as profit.

...econd, the tax rules allow ...panies to take 100 per cent. tax depreciation on their annual investments in plant and machinery. This means that taxable profits are struck after deducting the full amount of such expenditure although the company's own profits will only have a deduction for that part of the depreciation of capital expenditure deemed to relate to the year in question.

Third, the tax system does not tax the amount of appreciation which takes place in stock values simply as a result of inflation. It is one of the greatest drawbacks of the present accounting system that such "gains" are regarded as part of profits.

Fourth, when companies revalue assets such as property the resulting "gain" would be subject to capital gains tax if the assets were ever sold. Accountants have normally deemed it prudent to provide for this notional liability even though it might never in fact become payable because companies are allowed to "roll-over" the CGT if the asset is sold and replaced.

What it amounts to, in other words, is that the tax system uses different rules for profit calculation from those currently followed in company accounts. As a result the actual tax rate on reported profits is far lower than the standard rate of 52 per cent.

Accountants call these disparities "timing differences" because recognition of a particular item of income or expenditure does not coincide from the accounting and taxation standpoints.

Traditionally, the accountancy profession has followed a policy of equalising such differences by allocating their effects over the periods affected, regardless of when the tax becomes payable. In so doing accountants have sought to match the tax with the relevant income.

On the face of it, there would appear to be excellent reasons for doing this deferred tax accounting. Indeed, it is a practice common to all the leading English-speaking countries, including the U.S.

The Accounting Standards Committee (ASC), the rule-making body on accounting matters, endorsed earlier recommendations on the subject with its statement of standard accounting practice 11 (SSAP 11), issued in August 1975. This standard, which was due to become effective for accounting periods beginning on or after January 1, 1976, required that all companies should take account of timing differences by setting up deferred tax liabilities in their accounts.

But the reality turned out to be far different from what the accountancy profession had ever expected. The standard was to take effect at a time when tax depreciation rates were at an all-time high of 100 per cent., and the unprecedented stock appreciation relief was just beginning to operate.

Soon, people began to realise that deferred tax liabilities would just continue to grow and grow. One stockbroker calculated that within a few years they would account for around 25 per cent. of all balance sheet liabilities.

### Never be paid

Yet it was thought that something like 90 per cent. of the amounts shown as deferred tax in company balance sheets would never actually have to be paid over to the Inland Revenue.

Suddenly an unprecedented row, which had been simmering below the surface for some time, broke out. Industrialists and accountants in industry started to claim that the standard had been issued without sufficient consultation. It was too academic, and out of touch with reality, they declared.

The CBI quickly became a rallying point for the opposition and major companies such as ICI, Shell, BP, British American Tobacco, Rio Tinto-Zinc and Commercial Union gave their approval to a paper calling on the ASC to withdraw the ill-fated standard. Before long other powerful bodies such as the London Clearing Banks, and the British Insurance Association joined in the clamour, as did Price Waterhouse, the leading accounting firm whose senior technical partner, Mr. Tom Watts, had long campaigned against the whole concept of deferred tax accounting.

For a time it looked as if the controversy might bring down ASC itself. Then Mr. Douglas Morpeth's Inflation Accounting Steering Group, the body which is working on current cost accounting, came to the rescue with a decision that, under CCA, deferred tax accounting would not be necessary. The ASC gave in in August 1976. The starting date for the standard itself was deferred indefinitely. Oddly enough, by then most large companies were providing for deferred tax in their accounts.

The trend not to provide came towards the end of the year, starting with companies such as Westland Aircraft and the Bath and Portland Group. As a result, Westland's post-tax profit for 1976 came out over 230 per cent. higher than it would have been under SSAP11.

Bath and Portland's 1976 after-tax profits were over 150 per cent. higher because of the change and shareholders' funds were up by over 140 per cent. Other companies which have since stopped providing for deferred tax in full are Tate and Lyle, Debenhams, Allied Polymer and Furness Withy.

The new exposure draft, ED19, endorses their action. In future it states that companies need only set up deferred tax liabilities where there is a reasonable probability that a liability to pay the tax will arise in the forseeable future. It is due to become effective for accounting periods beginning on or after January 1, 1978.

At the end of the day, of course, it has to be remembered that any system of accounting is just a means of recording financial transactions, assets and liabilities and the mere presentation of information in one way or another does not of itself change anything.

It is only when people act on the basis of the accounting information they have been supplied with that changes in accounting rules become significant. That is one good reason why accounts should not be misleading.

Mr. Tom Watts, a partner in Price Waterhouse who has been a staunch campaigner against deferred tax.

Terry Kirk

BRUSSELS

## U.K.'s role in finance chair

BY PETER RIDDELL

THE FIRST four months of Britain's presidency of the EEC Council of Ministers has provided a platform for members of the Government to try to press forward on a number of major issues. It is not only Mr. Callaghan, Dr. Owen and the embattled Mr. Silkin in agriculture who have been in the limelight, but also Mr. Denis Healey, the Chancellor of the Exchequer in his regular meetings with other Finance Ministers.

Discussion of wider international economic matters—defined as matters of common interest to Community members—has occupied more of the Council of Finance Ministers' time than issues directly concerned with the Treaty of Rome and EEC development.

At the beginning of the year Mr. Healey was particularly anxious to push ahead with initiatives in the broad areas of unemployment and levels of economic activity. This has involved an attempt to secure general agreement on a common EEC line before going to other international meetings, particularly that of the interim committee of the International Monetary Fund in Washington last month, and has also meant bringing forward new proposals within the EEC itself.

But what is there to show for these good intentions? Britain's view is that there have been three main areas of progress. The first is the result of a continuous dialogue with Germany over its domestic rate of economic growth—clearly crucial to other Community members' exports.

Although leading economists have expressed doubts about whether the German economic growth rate will meet the official projection of five per cent. for 1977, the German government has now committed itself to achieving this target. This is seen as a step forward, even if it looks a modest one.

Secondly, there have been preparations for other international meetings. It is argued that the common line taken by the industrialised countries at the IMF interim committee was considerably assisted by the earlier discussions of EEC Finance Ministers. The key here was the agreement by Germany actively to support the Witteveen plan for a supplementary facility to increase the resources available to the IMF.

The common line did not extend to support for a large increase in quotas and there was no general backing for an unconditional increase in world liquidity. But the agreement that was achieved helped to ensure an easier passage at the IMF from the other major industrialised countries, including a slightly reluctant Japan.

Finally, progress is also claimed in the organisation of a tripartite conference between European governments, trade unions and industrial leaders on economic prospects. It is of course possible to be highly sceptical of what such a meeting will achieve—after all, the targets agreed at a similar gathering last year have not been met. Nothing dramatic is expected out of this year's meeting which is partly an educational exercise between all the parties. But it is possible that more will be done on the Community's work in assisting investment via an expansion of the resources available to the European Investment Bank.

All this is, of course, a long way from moving towards the stated goal of economic and monetary union. This is not on the agenda at present in view of the sharply contrasting economic performance of member countries. Even general discussion on the idea of controlled floating of EEC currencies within target zones—suggested by Mr. Willem Duisenberg, the Dutch Finance Minister—was quickly quashed following strong German opposition.

Nothing substantial has really been achieved either by the Finance Ministers on Treaty matters. There has been very slow progress, for example, on the harmonisation of banking regulations. But work has been going on at the official level on the implementation of the Community's plan to move to a system of financing its budgetary expenditure out of its own resources from the start of 1978.

There have been lengthy discussions on agreeing a common basis for assessing Value Added Tax throughout the EEC which were successfully completed last week.

These items and the Community budget are all very time consuming, but only in the second half of the year will the Finance Ministers set common guidelines for next year's budget.

## Buyers prize goes to Ireland

...EN MANCHESTER United ...the FA Cup on Saturday, ...was an added bonus in an ...ntful day for one United ..., Paul Walker. For he also ...nd himself emerging as the ...nner of a "Buyer of the Year" ...rd which carried with it a ...h prize of £1,000.

...e is also the first winner of ... competition, set up this ...r by the Ravensdown Metals ...up and the magazine, ...dero Purchasing. According ... the sponsors, its principal ...ective is to highlight a role ...ndustry which is given little ...lic recognition. A point ...n much stress at a celebra... dinner on Saturday—and ...owledged by the chief ...st, Sir Monty Finniston, a ...ctor of Sears Holdings and ...er chairman of The British ... Corporation—was that be... ...n 50 and 60 per cent. of ...cost of a product is incurred ...e purchase of materials in... ...ed. This compares, for ...mple, with an average of ...nd 20 per cent. for labour.

...e competition comprised ... parts. First was an ...inating round in which the 200-plus entrants had to describe a case history centred on buying cost effectiveness. From these entrants, six went forward to Saturday's final round involving a series of simulated buying situations. These were set up and judged by a panel comprising David Sheridan, purchasing director of Whitbread, the brewing group, Brian Farrington, senior lecturer in purchasing at the North West Management Centre, and Bryan Duffield, managing director of Ravensdown.

As well as his £1,000 cash prize, Paul Walker keeps a trophy for one year (the competition is expected to be an annual event). The trophy itself was designed as a result of a separate competition, won by Bridget Powell, a student at the Reigate School of Art.

The second prize of £350 in the buying competition went to Mr. A. J. Ray, of Air Products, while the £150 third prize was won by Alan Summers of Esso Petroleum.

For Paul Walker, who is 24, participation in the finals offered the chance of his first visit to England from Belfast, in Northern Ireland, where he has been employed by Short Brothers, Harland, the aircraft concern for the past 3½ years. He works within a special "troubleshooting" section of the purchasing department. This means that, whereas the major part of the department's function involves buying in repeat orders of the most regularly used materials, his section has to find, at the best price and delivery dates, parts and materials which are infrequently used and which are probably very specialised items.

Ravensdown — co-sponsors of the competition, is a private group of metal stockholding companies — specialising in stainless steel and aluminium—which was set up five years ago and which has projected turnover this year of some £6m. At present, there are four separate companies in the group, which operates on the basis of each having considerable autonomy and with the chief executives of each having an equity stake in their company.

Nicholas Leslie

...USINESS PROBLEM

BY OUR LEGAL STAFF

### Dividends

...reference to the item ...ed Tax in gilts (March 2) ...you explain to me the ...sition when selling ...vidend or cum dividend, ...which is the more ...tageous? Can you ...mend any publication which deals with the subject?

If you sell ex dividend, you will be entitled to keep the next dividend and it will be taxable as your income.

If you sell cum dividend (for example, before the stock goes ex dividend) the next dividend will belong to the purchaser and it will be taxable as his income. However, if you do this too often, you may be caught for income-tax on the accrued income—despite the fact that the purchaser will be taxed on it as well. The pitfall laid by the taxmen is to be found in section 30 of the Income and Corporation Taxes Act, 1970, as amended by paragraph 13 of schedule 6 to the Finance Act, 1971.

Tax avoidance is a complex game and explanations in layman's language are rarely helpful in the long run. If you want to pursue the idea, you would do well to study section 30 (as amended); in a public library, you could look it up in the British Tax Encyclopedia or in Simon's Taxes, for example.

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WEDNESDAY, MAY 25, 1977

# School leavers and jobs

THE APPARENT improvement in the employment situation continued in the month to mid-May, with unemployment falling and unfilled job vacancies continuing to rise. The vacancy figure can perhaps be dismissed as misleading, since the rise in the South-East (where percentage unemployment is lowest) was greater than for the country as a whole; the number of vacancies fell or remained unchanged in eight out of the 11 regions distinguished in the statistics. But the drop in unemployment was better spread and continues an existing trend. On the basis of a three-month moving average, unemployment has now been falling, even if rather slowly, for three months in succession.

This movement runs counter to many forecasts and is not, on the face of it, easy to square with the very slow rate—slower than expected—at which industrial production has been increasing. It would appear that either the forecasters have been wrong in the timing rather than the direction of their forecasts or that productivity is behaving much more poorly than is usual at this stage of the cycle. The latest CBI survey suggested that employment was expected to rise slightly until the summer and also showed that shortages of *skilled* labour were already beginning to emerge, especially in engineering.

*Fresh steps*

One important influence on the figures has been the various schemes introduced by the Government to put off redundancies or create jobs. At the last count, the different special employment and training measures were helping 317,000 people, though the number kept off the unemployment register—by no means everyone chooses to sign on—may have been nearer 200,000. The effect of these measures is about at its peak now and may gradually wear off unless fresh steps are taken.

One direction in which fresh steps will be taken is that of unemployed school-leavers. The great majority will appear on the register at the end of the summer term, and the number is expected to be considerably larger this year than last for purely demographic reasons. The Manpower Services Commission produced a report recently in which it set out proposals for co-ordinating the present mixture of temporary special measures into a coherent whole, and its recommendations are generally endorsed in a report published yesterday by the House of Commons Expenditure Committee.

*Private industry*

The main assumption on which the MSC proposals rest is that juvenile unemployment will probably remain abnormally high, in the U.K. as in other Western industrialised countries, for several years to come. They envisage the creation of an integrated assistance programme by September of next year, which would provide up to 130,000 places in training and work experience projects at any one time, with a throughput of some 230,000 a year at an annual cost (net of savings in social security payments) of £95m. If this timetable is to be adhered to, the MSC suggests, and provision made in time for dealing with this summer's school-leavers, Ministerial decisions—presumably involving the Department of Education as well as that of Employment—will be needed by next month. While the case for rapid decisions in principle is strong, time will be needed to work out such a medium-term integrated programme in detail. And the money will be most fruitfully spent if the help provided involves work as much as possible like that in a real job, which means the maximum possible involvement of private industry.

# Generation change in Moscow

LIKE ALL changes in the Soviet leadership, President Nikolai Podgorny's retirement without explanation from the Politburo is sudden and intriguing. The precise reasons may take some time to seep out of the Kremlin. But one is bound to ask what this indicates about Soviet policy-making.

Politically, the most significant point is that the triumvirate of Mr. Leonid Brezhnev, Mr. Aleksei Kosygin and Mr. Nikolai Podgorny which took over from Mr. Nikita Khrushchev in 1964 has finally cracked after 13 years in power. Of course, the triumvirate had existed only in form for some time due to Mr. Brezhnev's gradual acquisition of supreme and unquestioned power. But the fiction of "collective leadership" was kept alive for propaganda purposes, mainly to differentiate the regime from Stalinism.

*Decline*

That the fiction should now have been allowed to crumble is a clear sign of the confidence felt by Mr. Brezhnev. He turned down a chance to retire gracefully at last year's party congress and is now the object of a growing personality cult. That it should have been President Podgorny rather than Mr. Kosygin who was the first to go is not surprising. Although Mr. Kosygin has frequently been rumoured to be ill and on the point of retirement, he has always given the impression of a man of decision with a definite role to play. Mr. Podgorny, on the other hand, went into political decline in the early 1970s, and seldom performed more than a formal role in his function as Head of State. It is true that he recently went on an important tour of southern Africa which reinforced Moscow's standing there. But the Kremlin may have wanted at this stage to emphasise its official State interest in the region rather than its ideological one.

It is always possible, of course, that Mr. Podgorny resigned because of his age, 74, or because of disagreement over policy within the Politburo. But if this was the case, it would be normal for the resignation announcement to carry some hint of this. As it is, the announcement was one of the briefest on record. He is also of an age which is not exceptional for Politburo members. As for disagreement, Mr. Podgorny was not a man known for holding strong views, nor was his political position exceptional within the Kremlin spectrum. It is not impossible that he had become frustrated and quarrelsome, and therefore less capable of contributing usefully to Politburo deliberations.

In political terms, however, his departure seems unlikely to lead to any marked changes beyond reinforcing the position of Mr. Brezhnev whose policies are being implemented anyway. More significant, possibly, is the dismissal of Mr. Konstantin Katushev, one of the Central Committee secretaries charged with international affairs. Though little known abroad, he was frequently at Mr. Brezhnev's side at important gatherings and was believed to carry some influence with the General Secretary in foreign policy. His transference to a post in the Comecon secretariat may, however, mean that his talents are to be deployed in other fields.

Mr. Podgorny's retirement is also a reminder that the Soviet leadership is not getting any younger. It comes after no fewer than four Soviet ministers have died in office, and it could herald the beginning of the transfer of power from one generation to the next. The Politburo is clearly divided between men in their 70s and those in their late 50s and early 60s. With two Politburo vacancies now to be filled, the ranks of the younger group are bound to swell.

*Stability*

Most of the younger men are aspirants enjoying Mr. Brezhnev's patronage and this provides a certain guarantee of stability and continuity. Even so, there must be a world of difference between a man in his 70s who remembers the revolution and one in his 50s who does not, and the Kremlin could therefore have entered a period of gradual political change.

# Strains in the Scottish Nationalist leadership

By RAY PERMAN, Scottish Correspondent

IT IS A year since the thousand delegates to the Scottish National Party 1976 conference leapt to their feet to demand with one deafening voice an immediate General Election. The 11 MPs, who played a key part in bringing the Government to the edge of collapse over the Aircraft and Shipbuilding Bill, returned triumphant from Westminster with tales of punches swapped on the floor of the Commons and Mr. Michael Heseltine brandishing the mace above his head. When Mr. Gordon Wilson, Deputy Leader of the Nationals in Parliament, called for a civilised Parliament meeting in our own country, no-one doubted that it would come in a short time.

It is a fair bet that when the conference assembles again in Dundee to-morrow the mood will be more subdued. The year has been a good one for the SNP. It has seen its prophecies about the unwillingness of London politicians to give Scotland the measure of home rule that is her right, apparently borne out by the demise of the Devolution Bill. It has ridden on the crest of opinion polls and gained nearly 100 seats in the local elections. But it has also seen the Government cling stubbornly to power in spite of Nationalist votes cast against it in the lobbies. Independence seems further away now than it did a year ago.

Devolution, one of the major issues last year when a powerful section of the conference called on the party to denounce the proposed Scottish Assembly as a sidetrack on the road to self-government, seems destined to be hardly mentioned. No resolutions have been put forward. The party has said all it has to say on the subject.

But while the pressure is off, the SNP can turn to more personal matters, such as its own leadership. For the first time Mrs. Margo MacDonald, the best known figure in the party, is being seriously challenged for the senior vice-chairmanship, number three in the hierarchy and the position she has used to build up a firm base for herself and the liberal political stance she has become associated with. There seems little chance that she will lose: the list of branches and constituencies' nominating her is longer than those of all the other candidates put together. But the election throws some light on the strains that have been developing under the surface since the big electoral gains of 1974.

Margo MacDonald came to national prominence in November, 1973, when she won the Govan constituency of Glasgow from the Labour Party in a stunning by-election that threatened to be the writing on the wall for Labour in the west of Scotland. A vivacious blonde physical education teacher, then 30, she was an obvious target for television and newspapers and she proved to be a natural politician, always quotable, easily interviewed. *On the air* she could usually smother her opponents' arguments without the smile leaving *her lips*.

She lost Govan at the General Election the following February, but less than four months as an MP was enough to secure her a national name. She has continued to fill that role since 1974 from her home in central

Mrs. Margo MacDonald (centre) and her challengers Mrs. Margaret Bain (left) and Mr. Douglas Henderson.

Scotland, the mandatory first call for any visiting newspaper columnist or TV crew. She has put on a little weight (a fact not vitally important since most newspaper library pictures date from the '74 elections or earlier), but to newsdesks and producers around the world Margo MacDonald is synonymous with the SNP.

It would be entirely wrong to think that while establishing her place in the media, Mrs. MacDonald has neglected her own back yard. Her natural gifts of innocence and charm make her one of the outstanding popular politicians of any party. She actually likes meeting people and on the doorstep television glamour and a genuine desire to listen to problems makes an almost unbeatable combination.

She is now parliamentary candidate for Hamilton, her home town, and she nurses her constituency with motherly concern. She spent much of last Friday, for example, briefing the U.S. embassy (she is concerned that the international financial community should not be panicked into ditching sterling when the nationalists make sweeping gains at the next election), *but flew back to Scotland* in the evening to be entertained by the nurses at a local maternity hospital she has helped to save from closure.

Not surprisingly this popularity has aroused jealousies, particularly among some of the 11 MPs, who, stuck at Westminster, 350 miles from the television studios and front pages of Glasgow and Edinburgh, sometimes feel that their dogged day-to-day slog through the lobbies and committee rooms gets less than its just recognition from the party at large.

On top of personal resentments have come clashes over authority: who should have the day-to-day responsibility of interpreting policy and filling in the gaps (which are often yawning chasms since the SNP adopts broad outlines rather than details)? Margo MacDonald, as chairman of the strategy committee? Or the Parliamentary group, who are required to respond within minutes to Government statements across the floor of the House?

MPs have become irritated by Mrs. MacDonald's regular telephone calls and occasionally the tensions have erupted into rows. She was barred from the Group meeting immediately before the Second Reading debate on the Devolution Bill, and she had a stand-up argument with Mr. George Reid, the MP for Clackmannan and East Stirlingshire, at a candidates' conference last month. The conference itself raised some hackles. The MPs who ran it have been accused of deliberately bypassing the party organisation to try to find allies for themselves among the parliamentary candidates. It did not exactly have the right effect. Far from being acknowledged as the front-line troops, the MPs have been accused of being out of touch with what is happening in Scotland, of not bothering to attend party meetings, and of becoming élitist, making too much of their positions in the Westminster institution which should be anathema to a nationalist party.

Mrs. MacDonald in her turn has not been immune from criticism. It has been said that she does not understand the MPs' role, that she is too ready to listen to people outside the party; to Jimmy Milne, general secretary of the Scottish TUC, to the Clydeside shop stewards and to pro-devolutionists of other political colours, Mr. David Steel, the Liberal leader, Professor John Mackintosh of the Labour Party and Mr. Jim Sillars of the Scottish Labour Party. No-one has quite suggested that she might be guilty of the ultimate heresy, of being willing to settle for some measure of home rule short of independence, but there are those who suspect that her first instinct on any issue would be to try to put together a coalition.

The solution for those MPs against her was to put up their own candidate. In the event there are three.

Mrs. Winnie Ewing, another former by-election heroine and now the SNP representative in the European Parliament, is said to have encouraged Mrs. Janette Jones, at present the vice-chairman (publicity) to stand. Mrs. Jones, 45, is a Strathclyde regional councillor as well as parliamentary candidate for West Stirlingshire, one of the key seats the SNP will have to take next time if it is to depose Labour in west-central Scotland. She is well liked in the party, but not thought to have much of a chance.

A group of MPs encouraged Mrs. Margaret Bain, 31, the MP for East Dunbartonshire, to stand, arguing that if the new senior vice-chairman was also an MP the conflict between party and Parliamentary Group would be automatically eliminated. A former teacher, the spokesman on education, social services, prices and aircraft and shipbuilding, Mrs. Bain is a quiet woman who also has some following in the party. It was argued that since she shares roughly the same social-democratic views as Mrs. MacDonald, comes from the same part of the country and is a woman, she would stand a good chance of picking up the votes of those who felt Mrs. MacDonald deserved to be rested for a while.

Unfortunately Mrs. Bain was rather late in the field and a lot of branches and associations which might have backed her (including her own constituency) had already pledged themselves to Mrs. MacDonald. Mr. Donald Stewart, Parliamentary Leader, and Mr. Wilson, his quiet and watchful deputy, had done the same. But what really spoilt the plan to unseat Mrs. MacDonald was that Mr. Douglas Henderson, 41, MP for East Aberdeenshire, had already declared himself a runner.

No matter what view you take of politics within the SNP, the contest between Mr. Henderson and Mrs. MacDonald can be seen as a classic. It is right versus left, highland versus lowland, Parliamentary group versus party, fundamentalist versus gradualist. All these facets help to explain why Mr. Henderson's candidature has aroused the most interest and why he is the one likely to come nearest to defeating the sitting senior vice-chairman. But none fully explains why he decided to stand. For that you have to know that the contest is also between two very strong personalities.

Mr. Henderson, a lawyer and management consultant, joined the party in 1951, and is a Nationalist of the old school. In spite of his protestations to the contrary, many people who joined the SNP much later believe that he has never been entirely convinced of the value of drawing up detailed policies for an independent Scotland, or of doing anything else that deflects the aim from the ultimate goal of total autonomy. If that is what he still really believes then there are a lot of people in the party who think like him. Mr. Wilson, the MP for Dundee East, for example, has never sanctioned his local party fighting municipal elections for that reason, and, on last year's conference vote on devolution, 425 delegates believed that a Scottish Assembly was an unnecessary step against the 394 who were in favour of it as a half-way house.

It was Mr. Henderson's speech during that debate that had delegates on their feet baying for the Government's blood. He sought to cloud the issue rather than to push the vote one way or the other. The conference, he said, was too pedantic about motions, amendments and words when the party was united in spirit about the absolute necessity of independence. He did not vote.

There is likely to be some expression of the same sentiment this week when the conference debates direct elections to Europe. As well as motions for and against, there is another urging the party not unnecessarily to divert its energy and resources.

## A stock of policies

It is probably too late to persuade the party to give up the path it has followed since 1969 of building up a stock of policies (industry, employment and health last year, taxation, education and a draft constitution this year) to present to the electorate as a reason for voting SNP, rather than from a general feeling against London and the Act of Union. It is also too late fundamentally to alter its character from that of a liberal social democratic party pledged to proportional representation, a written constitution, Bill of Rights, local democracy in government and at work and a high level of public spending.

Mrs. MacDonald is being challenged, but other proponents of that view, including Mr. William Wolfe, the chairman, and Miss Isobel Lindsay, vice-chairman (policy), are not. The key publicity job also seems likely to fall to a convinced social-democrat, Mr. Stephen Maxwell.

Mr. Henderson probably does not seek to do either of those things. It seems much more likely that he is putting down a marker, either for next year when he could challenge Mrs. MacDonald again or fight Mr. Wolfe, or for some future office not yet in existence such as Leader of the SNP Group in a Scottish Assembly, or Prime Minister of an independent nation.

Next year could easily be a General Election year. The SNP has decided that it must be the one where it puts the full range of its policies before the electorate and asks them to choose independence. In the heat of the battle, Mr. Henderson's fiery appeal could have more attraction than it does now when the party is on a plateau

# MEN AND MATTERS

## Ajman Arab's Cuba connection

Truth sounds stranger than fiction when it comes to the Ajman Arab Bank, caught up in the turmoil now enveloping the banking community of the United Arab Emirates. The bank—closed, temporarily its sponsors hope, at the end of last week — numbers among its backers not only the usual sheikh but also a man who fought in the ill-starred Bay of Pigs invasion and languished for a year in one of Castro's jails.

Of the two local backers the most important is the ruling family of Ajman itself, which owns 40 per cent. of the 15m. dirham ($3.76m.) capital. A further 20 per cent. is owned by other UAE residents.

The other two interests are merged in a holding company which owns the remaining 40 per cent. A family with branches on both sides of the Indo-Pakistani frontier owns 45 per cent. of this holding company and is represented on the Board by one Naeem Arshad. The remaining 55 per cent. of the holding company is owned by WFC Corporation, the institution responsible for the management of Ajman Arab Bank and also for the Cuban connection.

WFC was set up in 1971 in Coral Gables, Florida, by Guillermo Hernandez-Cartaya. He started his career in Cuba in 1951 and rose to become regional vice-president in charge of eight branches of Banco de los Colonos before its nationalisation by the Communists, whom Hernandez-Cartaya fought literally if unsuccessfully at the Bay of Pigs.

WFC offers banking facilities in Grand Cayman, Panama, Venezuela, Colombia, Ecuador and Costa Rica and has offices in a further five countries, including one in London.

WFC's own view of itself can be deduced from an expression of faith from Hernandez-Cartaya which appears on the front of its brochure: "WFC's experience is that the concept of *entrepreneurial banking* (his italics), upon which the great merchant banks were built, is still compellingly valid . . ."

Competitors have been known to use less flattering language: but one thing that is certain is that entrepreneurial skills are not the best weapons when it comes to a run on the bank such as caused Ajman Arab to close its doors. "We are not Bank of America," WFC says without a trace of irony when asked why it does not pump more of its own money into the bank.

Ajman Arab Bank has been doing a good job developing Ajman, WFC says, mentioning a completed fishmeal factory and a poultry plant in the pipeline. While there are hopes that funds may be forthcoming from elsewhere in the UAE, the bank seems to feel that in the last analysis it is up to the Ajman ruling family as the largest single shareholder to do the sorting out.

## Lagging on

Brian Wolfson, since leaving his job as joint managing director of Granada Group six years ago, has become such a mobile businessman that an American magazine billed him as the "most travelled jet lagger." He has homes in Sydney and Britain, but spends less than ten per cent. of his time here—and a few of those per cent. have been spent this week discussing a bid he and two Danish partners have made for Tremletts.

"If these attacks keep up we may have to form our own union!"

That is a name to send a shiver round the City, the company being remembered for a disastrous takeover of Tower Assets. The bid is from off-the-shelf Vokeworth Securities, where Wolfson's partners, a little oddly, are ultimately F. L. Smidth (cement making) and Burmeister and Wein (diesel engines and shipbuilding). The partnership is offering 80p per share against a price at suspension in 1974 of 160p.

After leaving Granada, Wolfson headed off for the Pacific basin, his idea of a good growth area combined with kindly tax regimes. He and the Danes have 67½ per cent. of Consolidated Home Industries of Australia, and they are bidding for the rest in order to go private.

CHI's present interests include a joint company with Jardine Matheson supplying hotels with colour TVs; barge leasing in Singapore; and the Great American Disaster chain of hamburger joints.

With nearly 40 per cent. of Tremletts equity sewn up (from willing sellers like Slater Walker and the directors) Wolfson was happy yesterday that the bid was going so smoothly. His travelling boots were going on again for a quick trip to Cologne, then, as befits a Liverpool lad, he aims to be back in front of a television set in London for to-night's European cup match in Rome.

## Travel news

How sad. This should have been the week when we all had the opportunity of riding for the last time in rickety Victorian splendour on the Glasgow underground. The six-and-a-half-mile circular line was opened in 1896, and most of the carriages date from then, although there were one or two youngsters built as late as 1903.

Now the railway, cable-drawn until converted to electricity in 1935, is due for a £32m. modernisation programme. Half the 15 stations (some of them in recent years serving distinctly desolate inner city areas) are being rebuilt and the first of 33 new cars will go on show in Glasgow's George Square next month. The line was to shut next Sunday after a final week of nostalgia to allow the modernisation to go ahead, but a premature close-down was ordered after the discovery of cracks in the tunnel roof.

## Wisdom

Close perusal of Hansard is often enlightening. How's this for a remark from former Chancellor of the Exchequer Jim Callaghan when answering questions in the Commons a few days ago: "There is no doubt that the best way to restrain increased prices and increasing prices is to keep down the rate of inflation."

**Observer**

FINANCIAL TIMES SURVEY

Wednesday May 25 1977

# Sweden

Last year's change of political and economic direction in Sweden is a symptom of the difficulties it still faces as recession eases elsewhere. Its major industries are far from recovery, and the coalition government has awkward energy and foreign policy decisions to take.

## Tough times are ahead

This survey was written by William Dullforce—Nordic Correspondent

HE "SWEDISH MODEL" is urrently being subjected to its verest test since the term was ined. The forces of change are work on it and from within it ore actively than perhaps ever fore. The most obvious indi tion of this came last Septem- r when a majority of the elec- rate turned the Social-Demo- ats out of office for the first me in 44 years. This political vitch has coincided with an ternational recession which as exposed unsuspected weak- esses in the Swedish economy. both fields the rules of the ime have been changing.

Other major evidences of hange have been the state take- ver of the larger part of the hipbuilding industry, once econd only to the Japanese, and n abrupt reversal of policy in e steel industry, for long a mbol of Swedish excellence. wo years ago an expansion hich would have nearly oubled steel-making capacity as being planned, to-day e intention is to merge e steel companies and concen- ate on serving the home mar- et. The latest symptom of these dustrial pressures is the mer- er announced between Volvo nd Saab-Scania, two flagships f Swedish engineering brilli- nce, which had demonstrated hat a nation of 8m. could still ompete successfully against the dds with world car manufac- urers.

### Tradition

Breaking with a tradition dating back to World War I, Sweden has also been borrowing heavily abroad for the past two ears. This change was largely rompted by the 1973 oil crisis, ince Sweden relies more eavily than most countries on il imports to meet its energy quirements, and suffered with the rest of the industrialised world when its payments went into deficit to the oil-producing countries. Nevertheless, the foreign loans, which were originally seen as a temporary expedient to allow the export industry to adapt, have been growing to an unforeseen level. Most Swedes, accustomed to tidy economic management, are uneasy about the borrowing. Perhaps more than any other current phenomenon it has started to make them realise that they may be living above their means and spending too much in their prosperous welfare State.

The "Swedish model" originally referred to the practice of free centralised collective bargaining between employers and unions but by extension has come to stand for the whole social system created in a quarter century of practical reforms after World War II. This combined full employment and an advanced social welfare organisation with the efficiency of a market economy. There is now an immediate threat to the success of this combination and a widespread suspicion which was probably the major factor in the Social-Democrats' electoral defeat, that the country was moving towards a less flexible power organisation approaching — whether intentionally or not — the State-controlled market systems of Eastern Europe.

The more immediate threat to the Swedish system has been apparent in the 1977 wage negotiations. For the first time since bargaining at national level started in 1955, they have resulted in a strike — by 3,000 white-collar workers — and a lockout notice from the employers. They have dragged on since last October, when the employers under a new chairman, Mr. Curt Nicolin, broke with tradition by being first to the punch with a warning that there was no room in the economy for any real wage increases and with demands for productivity guarantees and changes in social security benefits to combat absenteeism. The employers backed up their stand with figures showing a 40 per cent. rise in industry's payroll costs over the past two years and an alarming increase in the rate of absenteeism, particularly among younger workers.

An outstanding feature of the "Swedish model" has been the understanding between the employers and unions and their readiness to let national interest lead them into compromise. The leaders of the LO, the blue-collar federation, faced with a real possibility that the full employment policy could break down next winter, have accepted an arbitrated compromise settlement which after the depreciation of the krona within the European currency "snake" in April and the increase in VAT will almost certainly mean a decline in real disposable income for its members. They have rejected the encroachment on social benefits which the employers were seeking, in order to improve productivity, and have reserved their strength for the negotiations with the employers over the details of the Co-determination Act which came into force in January.

### Differentials

The white-collar federation (PTK) leaders have proved to be more militant, chiefly in order to preserve their members' pay differentials against the LO members. They have put 3,000 members on strike, grounding domestic air traffic and hampering food distribution, and at the time of writing were considering, in reply to the employers' lock-out notice against 220,000 of their members, the possibility of paralysing the country's business by pulling out computer operators. This year's negotiations may still reach harbour with only a skirmish but they may well have drawn the lines for an unprecedented confrontation next year.

The LO leaders' moderation may also have been due in part to the blame heaped on them for the Social-Democrats' historic election defeat. The acceptance by the LO Congress last July of a scheme to introduce union-controlled wage-earner funds, which would gradually take majority control of companies' share capital, and the energy with which union leaders promoted this scheme during the election campaign probably deprived Mr. Olof Palme and his party of the extra votes they needed to stay in power. The suspicions of many Swedes about Mr. Palme's intentions crystallised round this proposal.

The wage-earner funds, in whatever shape they may finally be formulated, are a central element in what the Social-Democrats are calling the third step towards Democratic Socialism. The first two were the winning of political democracy and its extension into industry through worker participation. The third step involves worker control over capital. The crux is how this is to be achieved without disrupting the market economy, to which the Social-Democrat leaders still pay allegiance and which they recognise it is important to preserve, if Sweden is to continue to profit from trade with the Western industrialised bloc. Currently both the LO and the Social Democrats are revamping their ideas.

The wage-earner fund scheme was not motivated entirely by politics. It was also a response to a genuine economic problem, that of capital formation at a time when the burden of taxation and social security charges on industry has been eroding investments. This point has not been lost within industry and the non-Socialist parties. Industry has produced a counter proposal, drawn up under the leadership of the Gränges chairman, Mr. Erland Waldenström. Government thinking at present is tending towards a scheme under which savings from employees' wages would be invested in capital funds, an idea promoted by the Moderate (Conservative) Economy Minister Mr. Gösta Bohman, which appears to have attracted some support from Mr. Thorbjorn Fälldin, the Centre Party Prime Minister, and which would ensure the survival of the share market. Capital formation and its organisation within or to the detriment of a market economy are most probably the key long-term issue in Swedish politics.

In the more immediate term the new government—a Centre Party, Moderate, Liberal coalition—has its hands full in dealing with an increasingly difficult economic situation. With a large part of Swedish industry sitting on heavy, unsold stocks, the improvement in demand from the export markets originally anticipated in the second half of last year has still to get under wey. It is also becoming more nbvious thal a cnntributing factor to the reluctance of nverseas custumers to place nrders with Swedish companies is the high prices of their goods. The big wage rises, tn which the Swedes treated themselves in the past twn recession years, have resulted in cost increases which have undermined the compeutive position of exporters. This is painfully evident in one nf Sweden's major industries, pulp and aper, where Nnrth American producers have been able to steal market shares frnm the Swedish mills.

### Operations

Companies nn longer feel that they cen continue to prnduce for stnck even with gnvernment grents or support a full worker cnmplement while operating at 70 to 80 per cent. nf cepecity. There is a reel denger that Sweden will not be able to maintain full employment, e policy to which the non-Socielisl gnvernment is es committed as its predecessor. The number of jobless, according to LO, could reech e post-war record next winter.

The new gnvernment has appeared to vacillate somewhat in its economic pnlicy. To begin with it pursued the expansionist line adopted by the Social Demncrets, even to the exteot of pushing through improvements in sncial welfare tn meet the varying electinn promises of the three parties. In April, after a further setbeck in the trade figures, it had the krone adjusted downwerds within the European currency "snake," cut budget spending and the anticipated budget deficit aod will increase VAT from June 1, in an effort to reduce privete consumption.

It has been forced to intervene in the shipbuilding crisis, will play the central role in the restructuring of the steel industry and has undertaken varinus other support operations for companies in crisis. Mr. Nils Aasling, the Minister of Industry, end e Centre Party member, has in fact emerged as one of the strong men of the coalition cabinet, although his oft-repeated liberal dictum that private business must assume respnnsibility fnr its own workers has come to be an unrealistic bit nf flag-waving. The government has been able to realise its ambitinns to re-stimulate private enterprise only to a limited exteot through tax reliefs and credits to small businessmen.

A matter which is more pertinent to industry as a whole and on which the government is still out on a limb is energy policy. Mr. Falldin, because of a genuine belief in the dangers, his promises during the election campaign and the pressures from within his own party, is committed to halting Sweden's nuclear programme. A compromise which basically meant postponing the decision had to be reached with the Moderates and Liberals before the coalition government could be formed. An act laying down the safety and waste disposal conditions under which nuclear power plants can operate has been passed, but is open to interpretation. An Energy Commission is re-examining Swedish policy, but the State Power Board wants to activate end test run a new nucleer plant, end the private power companies want to know whether their arrangements for the processing of waste will be accepted or not. The coalition hes lurched from compromise to compromise on each individual case.

On other matters too, government unity has been tested

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# Measures to curb the economy

"SWEDEN CANNOT continue to live above its means and base its (high) standard of living on foreign loans." This has been the theme song of the present non-Socialist Government for the past few months. It has been reiterated by the Economy Minister, Mr. Gosta Bohman and the Budget Minister, Mr. Ingemar Mundebo and included in practically every new financial statement—and is becoming increasingly strident—as the wage negotiations between the employers and unions drag on unresolved.

Nobody, not even the unions' economists, in fact deny the reality thus formulated, but there are differences of opinion about the gravity and the temporality or duration of the present crisis. Mr. Bohman, in particular, has been accused of painting the situation in unduly sombre colours. But as the recovery for which Sweden has been looking since the middle of last year continues to delay its appearance, the contradictions in some of the assumptions on which Swedish economic policy has been based are being highlighted.

## Employment

The fundamental assumption, accepted by the present Government as well as its Social-Democrat predecessor, is that employment must be maintained. This assumption, which called for stimulation of domestic demand and a high level of consumption during the recession, no longer tallies with the need to get the fast deteriorating external payments situation under control. It also hampers the attempt to do something about industry's high cost levels and improve exporters' chances of meeting the competition on their markets.

The contradiction is most clearly seen in the continuing argument over Sweden's participation in the European currency "snake." The debate revived after the adjustment at the beginning of April of the parities within the snake, providing for a 6 per cent. depreciation of the Krona against the Deutschmark. From the beginning this adjustment was calculated to give only a 4.6 per cent. depreciation on a trade-weighted basis against the currencies of Sweden's main trading partners but with the steady revaluation of the snake currencies as a whole even this advantage is being eroded.

Sweden has linked the krona to the Deutschmark at the same time as it has refused to link its economic policy to that of the West Germany government. The Swedes will not accept unemployment as a means of stabilising the economy. The result is higher inflation and a swifter growth in production costs than in Germany which in turn undermine the competitive position of Swedish exports. Sweden is paying heavily for the desire to both maintain full employment and to show itself a good European, in order to retain the advantages of its free trade agreement with the Common Market. A floating exchange rate, whatever the difficulties it might create for incomes policy, would seem to be the more logical companion to the employment policy.

Mr. Bohman's description of the state of the Swedish economy makes a good start from which to examine the situation. He has underlined time and again the following points:

- Production costs have risen much too swiftly in Sweden over the past two years. They have been pushed up notably by collectively negotiated wage increases totalling 18.5 per cent., supplemented by a wage drift of some 13 per cent. and increases in employers' payroll tax and social security charges, to make a rise of some 40 per cent. in industry's payroll costs over the two years. Mr. Bohman reckons that labour unit costs have increased by some 20 per cent. in relation to those of Sweden's main foreign competitors.
- The increased prices for Swedish exports and domestic goods competing with imports has resulted in a reduction of Swedish industry's shares of both the foreign and domestic markets. The Economic Research Institute estimates that exports of processed Swedish goods to the OECD area fell in volume by 8.8 per cent. in 1975 and by 8.5 per cent. last year. This is a heavier decline by far than recorded during the 1971-72 recession. Mr. Bo Waesterberg, an economist in the PK Bank, has calculated the decline in Swedish imports by the country's seven main trading partners between 1970 and 1976. They added up to a loss equivalent to Kr.4.8bn. (£645m.) in 1975.
- The swift rise in the payment deficit has been due not only to the cost burden on Swedish industry but also to the expansive employment policy which has stimulated the demand for imports. After being in surplus in 1973, Sweden's balance of payments has recorded deficits of Kr.4.2bn. in 1974, Kr.6.7bn. in 1975, Kr.10.5bn. last year and, according to the latest Economy Ministry estimate, could reach Kr.12.5bn. this year. The Riksbank (Central Bank) calculates that long term borrowing abroad last year was Kr.10.5bn., or about the same as in 1975, while the Economy Ministry has put the 1977 foreign borrowing requirement at Kr.16-18bn.
- Since the non-socialist government took office in October one industry after another—shipyards, steel, textiles, glass—has called for state intervention to ride out crises. The number of company failures has beaten all previous records.

The emphasis in this description must be seen in the light of the importance of foreign trade for the Swedish economy. Sweden lives by exporting, which accounts for close to 30 per cent. of GNP. Mr. Bohman's emphases are disputed by the Opposition and unions, who believe that he is underestimating the productivity potential and therefore the improvement to the competitivity of Swedish exports latent in industry's unused production capacity.

While the moral and social arguments for the employment policy are accepted, there is less consensus about the economic cost and consequences. The former Social-Democrat Government's main instruments against unemployment were to stimulate both industrial investment, including stock-piling, and consumption. Private consumption thus rose by some 7 per cent. during 1975 and 1976. To counter the resulting payments deficit, the Social-Democrats, switching from traditional Swedish policy, opened the way for a boom in foreign borrowing. These measures were seen as temporary and, even at the beginning of this year, there was still talk of getting the current account into balance by 1980, a target which now seems far off.

The grants for stock production have attracted particular attention abroad and with the prolongation of the recession have even aroused some questioning within Sweden. Stocks in many basic industries, in particular pulp, are now so large that they could significantly delay the effect of any increase in export demand on production. Even more fundamentally, it is beginning to be realised that producing for stocks is based on the assumption that foreign manufacturers will not pursue a similar policy, an assumption which has only partly held true this time and may no longer be valid in future recessions.

The non-Socialist Government, picking up its predecessor's employment policy, at first seemed prepared to outdo the Social-Democrats in expansionary measures, while waiting for the turn of the business cycle. Its first Budget submitted in January provided for a record deficit of Kr.15.7bn. a 3.5 per cent. rise in public consumption and a 2.5 per cent. increase in private consumption. However, the trade figures for December, January and February showed a trade deficit of Kr.2.2bn. against Kr.3.6bn. for the year as a whole anticipated in the finance plan.

The result was Mr. Bohman's journey to Brussels on April 1 and the agreement under which the krona was adjusted downwards by 6 per cent. against the Deutschmark. The Government simultaneously announced a deflationary economic package including a rise in VAT from 17.6 to 20.6 per cent. designed to cut back private consumption, savings in Government expenditure of Kr.700m. and a price freeze until the end of May.

This policy switch is being widely interpreted as involving the acceptance of a higher level of unemployment. Employment in industry is expected to drop by some 50,000 this year, while the trade union federation (LO) economists in their latest survey anticipated that 150,000 people would be jobless by the beginning of next year, giving the highest level of unemployment since World War Two, unless the Government takes strenuous counter measures. The LO economists expect the unemployment level of 1.6 per cent. in March to rise to 3-4 per cent., this coming winter and to average out at 2.5 per cent. for the year as a whole. However moderate these levels may seem to be, when viewed from other European countries, they would represent a hot political potato in Swedish terms.

Presenting the new measures, Budget Minister Mundebo pointed out that the Government was planning to spend Kr.15bn. this year to secure jobs and reinforce the long-term competitive capacity of Swedish industry. To this had to be added credit guarantees and opportunities to write off loans which could amount to Kr.13bn.

The question remains whether the Government's new package will have the desired effect on consumption and on the payments deficit. Forecasts vary greatly, mainly because none of the institutions is really certain about when the upturn will get underway on Sweden's export markets and with what force it will develop. It is accepted that the GNP growth will be very low this year, probably 1 per cent. or less, and that industrial investments are going to decline by 6-8 per cent., but there is less agreement about consumption development.

Opinions on the effect on imports of the measures designed to squeeze consumption also differ, as do views on the influence the depreciation of the krona will have on exports, resulting in a considerable divergence in the forecasts for the payments balance. Oddly enough, for once both the Federation of Industries and the trade union federation, LO, agree that a lower deficit in the region of Kr8.5-9bn. is in sight, while the Government's revised budget anticipates a deficit of Kr12.5bn.

Another vital element in the economic picture remains open at the time of writing: the 1977 central salary and wages settlement about which the unions and employers have been ponderously negotiating for almost as long as the new Government has been in office. In the first budget, Mr. Bohman suggested an 8 per cent. limit for nominal increases this year, but that was based on the assumption that the increase in consumer prices could be held to some 7 per cent. over the year as a whole. By the end of April, the index had already risen by 4.7 per cent. from January 1 and, following VAT increase and the depreciation of the krona, most forecasters are now expecting inflation to reach 11-12 per cent. on a year-end to year-end basis.

## Charade

The employers and the two federations — blue-collar and white-collar—have been enacting a cliff-hanging charade over the last three weeks, in which one of the remaining unresolved issues has been the compensation for the rise in the cost of living, which the official arbitrators included in their compromise settlement. The employers, who bad so far also failed to get any guarantees on productivity increases they had been seeking, baulked at this pertial return to an index link.

An unresolved question is to what extent Sweden's present difficulties are due to the prolonged recession on its export markets and to what extent they reflact deeper-seated structural defects. The plight of the ship yards and the change in the prospects for the stael induatry indicate that aome restructuring of Swediah industry is inevitable. Mr. Bohmen bas said—and for once the opposition would not disagree with him—that in the next few years economic policy must aim at bringing about a transfer of resources from consumption to production.

The Government has not so far been very precise about how this transfer can be achieved, a defect for which it cannot be blamed too mucb, considering the more immediate problems it has had to tackle. It has promised to stimulate private enterprise, particularly among smaller businesses. It has also outlined a tax reform, starting next year with an attempt to limit the effect of inflation on income tax returns. But the coalition is unlikely to produce a coordinated long-term policy until it has cleared the ridge of the present recession and bad time to sort out the conflicting priorities within the three parties, not least over energy policy.



# Tough times

CONTINUED FROM PREVIOUS PAGE

without yet cracking, althougb private remarks hy cabinet members attest to the strain. Mr. Bohman, the moderate leader, has been able to win considerable backing for the views of industry but there ia continual friction hetween him and the Liberel leeder, Mr. Per Ahlmark, the Deputy Premier and Labour Minister. Mr. Ahlmerk wishes to profile his party—the smallest in the coalition—as no leas concerned with sociel reform than tha Social-Democrats and to mark its differences from the Moderates. Mr. Falldin has successfully preserved cabinet unity but has not managed to weld his cabinet into a team.

The Social-Democrats bave bad some difficulties in adapting to the unusual role of opposing. They have offered more fire and brimstone than serious alternative policies within Parliament, partly because their leaders recognise tbat the economic situation is genuinely serious and partly because the non-Socialists have been pursuing an economic programme which differs only in minor detail from those they themselves would have adopted.

Mr. Palme can take some consolation from the latest opinion polls which show that he would be in sight of a majority on his own without Communist support, if a new election were beld now. The Communists bave suffered yet another split, with the pro-Moscow faction moving out to form their own party and the latest opinion polls show that the Communists would not at present reach the 4 per cent. vote limit entitling them to representation in Parliament. Mr. Palme, however, has to use the time until the 1979 election to come to terms with the unions over the wage-earner funds.

In foreign policy the non-Socialists have stressed continuity and, with the exception of aid to Cuba, have not tried to mark any fundamental difference from the Social-Democrat policy. They have been at pains to re-emphasise Nordic co-operation, Mr. Falldin bimself having already made official visits to Norway and Denmark, both of which are governed by Lahour parties.

Protection of the interests of Swedish fishermen has led the government into a minor confrontation with the other Baltic statas including the Soviet Union. Sweden bas refused to accept the quota system for Baltic fishing worked out in a Warsaw meeling last year and has announced its intention of introducing its own fishing limits, wblcb in the narrow Baltic would be identical with the madian-lines. This action has, however, revived a long-standing argument with the Russians, who claim that the median line ahould be measured from the Swedish mainland and not from the large island of Gotland, as the Swedes assert. A preliminary meeting with the Rusaians in Stockholm got nowhere.

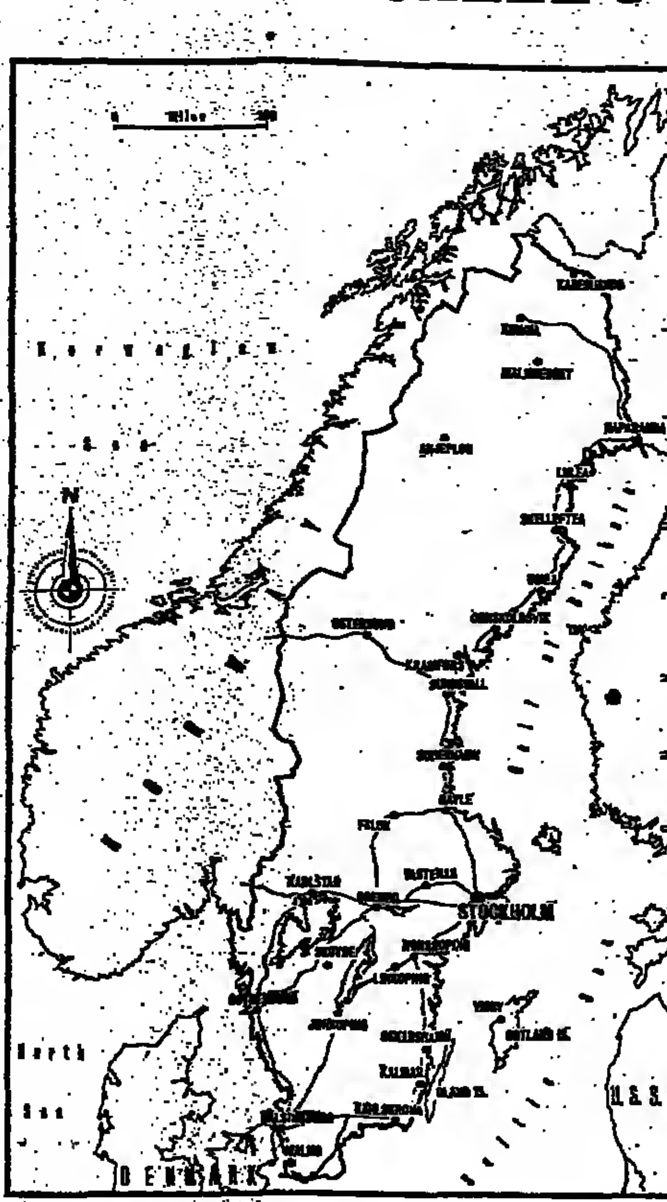
The maintenance of a credible defence force has long been regarded by hoth the non-Socialists and Social-Democrats as the necessary complement to the policy of neutrality. Sweden has conscription and operates an air force equipped with aircraft built in Sweden with a striking power against a potential invader considered to be superior to that of Britain's RAF. Defence has produced one matter over which the non-Socialist coalition has divided. Tbis concerns an order to Saab-Scania for a new light attack aircraft, which the air force will need in the late 1980s and 1990s. The decision bas been postponed until tha antumn.

# Banks make up for lost time

WEDISH BANKING has been ·periencing a fertile period, ıaracterised not only by a good ırnings development but also ' a modernising of its apparas and the generation of new eas. It may be invidious but is nevertheless tempting to ecribe the start of this period the merger of the Skandiıviska and Stockholm Enskilda ınks in 1971, a much criticised sion which has also involved ma digestion pains but which is ended with a much more rile bank on the scene.

At the same time Svenska andelsbanken under its anaging director, Mr. Jan 'allander, took the lead in the rive for profitability and better anagement. The rivalry etween these large private ımmercial banks has been ctremely fruitful for Swedish anking as a whole. Finally, the ıerger of Postbanken and reditbanken in 1974 into Kbanken a State-owned comıercial bank of commensurate ze, has added another dimenon to the scene.

The major creative impulse ıay all the same have been the anks' expansion abroad and ıe growing volume of foreign ısiness. Traditionally, Swedish ınking has been rather hideound and insular, in comparion with the Danish banks for ıstance, and has not really ollowed in the wake of the wedish engineering companies, hich developed into true multiıationals. During the last ecade the banks have started o correct this situation, often hrough joint foreign ventures with other Nordic banks. The candinavian Bank and Nordic Bank in London were the first examples of the operation which has since been extended to Switzerland, Germany and the U.S.



## Impact

But the impact of this effort 'ould not have been anything ke as significant without the ıange in Government policy hich resulted in the unpredented expansion of Swedish reign borrowing over the last ro years. Last year alone, cording to the Riksbank Central Bank) figures, longrm borrowing abroad totalled r.10.5bn. (£1.4bn.) and in this ear's Budget the Government as made allowances for a rther Kr.16-18bn., of which ıe State will for the first time dse a large part (a $1bn. Euroollar loan was signed in arch).

Riksbank credit policy has een to restrict the domestic ıarket and encourage comanies and local authorities to aise foreign loans or to efinance credits abroad. This as brought much new business the way of the commercial banks, which have found themselves acting as co-managers in a whole series of Eurobond issues. This new development as been good for profits, has ntroduced new ideas, and romises to give the Swedish anks a permanent foothold in nternational banking. It must n fairness also be pointed out hat the Swedish banks are still heltered from foreign competion on their domestic market.

Although private bankers conınue to grumble about the ose control of their operations ercised by the authorities and me of the obligations thrust ı them, such as the purchase of building bonds, they have in fact been favoured by a much more understanding attitude, particularly from the Riksbank. Over the past three years. Most important, perhaps, was the widening of the gap between short-term and long-term interest rates, which stimulated borrowing and improved the banks' margins, and a more supple approach to interest rate control by the Riksbank. In general, moreover, there has been more consultation between the banks and the Riksbank and less imperative dictation from above.

Another factor which can be said to have contributed to the Swedish banks' progress this decade has been the early and moderate solution to the socialisation issue. The banks now have board members appointed by the State and their own employees but at least for the immediate future the private banks have escaped the worry over nationalisation.

Their success has also been due to a determined productivity drive. The Swedish Bankers' Association calculates that the number employed in the commercial banks has declined by 0.4 per cent. a year during the 1970s, producing an increase of 4.2 per cent. a year in the balance sheet totals per employee at fixed prices. The comparable increase during the first half of the 1960s was some 0.5 per cent.

The productivity improvement has been achieved by mergers, the closing down of unprofitable branch offices and the switch to more effective working methods such as computerised clearing and cash terminal systems. The number of branch offices has declined each year, since 1971 after increasing throughout the 1960s. The balance sheet totals at fixed prices per branch office have grown on average by over 5 per cent. a year during the present decade.

The 11 commercial banks recorded earnings totalling almost Kr.2.2bn. last year, an increase of 28 per cent. over the 1975 figures. On the Stockholm Stock Exchange bank shares outpaced the general trend, rising over the year by an average of 21.5 per cent. compared with the 1.2 per cent. increase in the Affärsvärlden general index.

Deposits in the commercial banks developed unevenly with a strong advance in the first quarter and a smaller one in the third countered by a sharp drop in the second and a smaller decline in the last quarter, giving an overall increase for 1976 of only Kr.2bn. to a total of just over Kr.100bn. The commercial banks lending "for other purposes" (that is, excluding the obligatory building credits) rose over the year by Kr.8.4bn., including a fall of close to Kr.3bn. in the last quarter after the Riksbank had seriously set about tightening monetary policy.

## Policy

The immediate cause for this change in Riksbank's policy was the unrest on the international exchange market which led to pressure on the krona and a reduction from Kr.11.5bn. to Kr.7.5bn. in the foreign exchange reserves during the two months to the end of September. Sweden's increasing vulnerability was interpreted by the Riksbank as being due to the relatively low domestic interest rates prevailing and the comparatively high level of liquidity within Swedish business following the strong credit expansion of the first eight months.

The Riksbank accordingly raised the discount rate on October 3 from 6 to 8 per cent. and with Government approval slapped a ceiling on bank lending for six months to the end of March. The ceiling applied to credits to the general public but not to credits refinanced abroad, thus once again encouraging the banks to raise foreign capital. At the end of February this year the Riksbank "recommended" the commercial banks to limit their advances to a maximum of 6 per cent. for the six months from the end of March.

This tightening of general liquidity has led the banks to lower their profit expectations for 1977 with most of them now aiming at retaining the 1976 earnings level. It also revived bankers' concern about the effect of inflation on their capital ratios, which has been reflected in one annual account after another over the last two years, despite the seemingly comfortable growth in profits. Thus, after a 20 per cent. increase in income last year and a strengthening of its capital base, Skandinaviska Enskilda's managing directors still complained in March that earnings were insufficient to meet tax, pay a satisfactory shareholders' dividend and maintain the capital/debt ratio.

A State Commission is currently investigating the possibility of amending banking regulations to allow banks to operate with lower capital ratios. Last month the government accepted the Commission's proposal for a 10 per cent. temporary reduction in the capital cover ratio from July 1 until the investigation has been completed. This reduction, the Commission calculated, would reduce the total capital cover requirement for the banks by some Kr.800m. by the end of 1978.

The commercial banks have also been in the forefront in designing profit sharing schemes for their employees in answer to the growing pressure from the unions for collectively managed capital funds. Svenska Handelsbanken has for years operated a scheme under which its employees have a share of its profits paid into their investment fund in each year in which the banks' return on capital exceeds the commercial bank average. This year the Skandinaviska Enskilda shareholders approved at a stormy general meeting a three-year experimental scheme, under which the bank employees could in good years receive a sum equal to one-fifth of the shareholders' annual dividend.

## Inflation

The Swedish banks have also been concerned about the effect of inflation on depositors' savings and on their shareholders' capital. During the past seven months Svenska Handelsbanken has come up with two ideas. The first was an "index account" for deposits, from which monthly transfers are made into a share fund invested in the full range of the Stockholm Stock Market. The scheme follows the efficient market theory on which some American banks have based their index funds. Secondly, in February, Svenska Handelsbanken offered shareholders a new issue of so-called index-tied shares, linked to the consumer prices index.

The commercial banks do not have a monopoly in new ideas. Mr. Uno Tenfält of the Savings Banks Association has come up with a variation on the old idea of index-linked deposit accounts. His scheme would begin with a maximum deposit of Kr.50,000 (£6,700) for each depositor. Funds held in the account for at least one year would receive a fixed interest rate of 2 per cent., which would be taxable, plus a rate of interest linked to the consumer price index, on which no tax would be paid.

The combined interest would never be less than that payable on accounts with 12 months withdrawal notice. When the interest exceeded that payable on the 12-month accounts, the difference would be paid by the State under Mr. Tenfält's scheme. The State would be compensated by a reduction in the non-taxable interest allowances provided for in the income tax regulations. The Government, which is eager to promote savings, is studying the scheme.

The savings banks are a force in their own right in Sweden with total deposits equal to more than half the commercial banks Kr.100bn., but the group with the fastest deposit growth rate is the co-operative banks. They increased deposits by 13.9 per cent. last year compared with 2.1 per cent. for the commercial banks and 8.4 per cent. for the savings banks. By the end of the year their deposits were approaching the Kr.12bn. mark.

Originally rural credit societies, they still supply the bulk of farm credits but changed their name several years ago, in order to mark the extension of their range. Last year their earnings rose faster than their total assets, improving by 27 per cent. to a total of Kr.88m. on net income of Kr.320m.

BASIC STATISTICS

| | | | |
|---|---|---|---|
| Area | 158,873 sq. miles | Trade (1976) | |
| Population (1975) | 8.20m. | Imports | Kr.83.7bn. |
| GNP | Kr.287.45bn. | Exports | Kr.80.2bn. |
| Per capita | Kr.35,055 | Imports from U.K. | £1.6bn. |
| Currency: S. Krona | £1=7.50 | Exports to U.K. | £1.2bn. |

*Götaverken and Haldor Topsøe designed this self-contained barge-mounted ammonia plant. They reckon they can build it in Sweden, and then tow it to any offshore site.*

# Builders thrive on foreign orders

IN CONTRAST with their colleagues in most other branches of Swedish industry the larger construction companies have been doing rather nicely during the recession. This is curious, because from the beginning of the 1970s the domestic market for house-building and civil engineering has been very dull.

The reason for their success is that the construction companies have simply gone abroad and fought their way into the international market. They have succeeded through their size and financial strength, which give them the power to take on big projects, and the flexibility built into their decentralised working methods.

The Swedish construction companies' income from abroad is estimated to have risen from around Kr.300m. at the beginning of the decade to Kr.2.2bn. (£295m.) last year. This represented a jump of some 50 per cent. from 1975 when the production value of their foreign operations equalled 5.5 per cent. of the value of domestic operations: for those companies working abroad the proportion was 12-13 per cent. in that year. According to one trade estimate, the value of Swedish building operations overseas could be as high as Kr.4bn. a year by 1980.

Parallel with the growth in tha volume of foraign business bas come a geographical change. Traditionally, Swedish construction abroad was mainly confined to the Nordic area. At the beginning of the 1970s the companies started to work the East European market, Poland and East Germany in particular on the Southern Baltic coast, and by 1973 this area accounted for some 30 per cent. of total foreign income. It bas continued to grow steadily in value but by the middle of last year East European contracts made up only 16-17 per cent. of tha Swedish companies' total foreign order book, while close to 40 per cent. came from the Middle East and almost as much from other non-European countries, mainly in South America and Africa.

## Trend

This trend bas since been accentuated by the Kr.4.7bn. Jeddah harbour order which Skanska Cementgjuteriet is sharing with Grands Travaux de Marseille and the Greek Archidon company. Although the Swedish companies had won Middle East contracts previously, this order may be said to mark their definitive breakthrough into the big league. It involved a guarantee bond of Kr.450m.

The energy and drive which the half-dozen companies have put into winning overseas contracts, have been accompanied by a certain caution. Moat Swedish builders emphasise that work abroad must be regarded as something of an economic regulator, while the market is weak at home. They look askance at foreign contractors, particularly tha British, who are heavily committed abroad. The smallness of the Swedish capital market and the problems of raising sufficient credit for the larger projects are mentioned, as is the problem of having too many Swedes working abroad, for whom the companies are legally bound to find jobs at home on a declining market when the overseas projects are completed.

"We are not relying on the overseas market," Mr. Ulf Widerstrom, Skanska's managing director, said in an interview last year. A limit of 15-20 per cent. of total orders is generally indicated as being desirable for foreign contracts. Nevertheless, by the end of last year 42 per cent. of the Kr.5.8bn. (£785m.) value of Skanska's order book stemmed from abroad, a rise of 20 per cent. in a single year due mainly to the Jeddah harbour contract. Skanska is now heavily committed abroad and tha reason is not difficult to find; its 1976 shareholders' report commented with typical wariness that overseas work was estimated to compensate for a year or two for the decline in the profitability of its domestic operations. Overseas contracts are more lucrative.

## Share

It must be admitted that Skanska is exceptional. Tha overseas share in the Balken group's order intake last year actually daclined from 18 to 12 per cent. or to a value of just under Kr.400m. On the other hand Balken companies had an especially good year in 1975 when they signed contracts worth soma Kr.500m., including large orders for water and air control towers from Saudi Arabia, a hotel in Bulgaria and a ferry terminal in East Germany. BPA, the construction company owned by the Swedish trade unions, which has specialised in East European operations, earned just over 5 par cent. of its income abroad in 1975. Last year the overseas turnover was slightly larger but the foreign order book at the end of the year was only Kr.200m. SIAB made some 8 per cent. of its 1975 turnover overseas.

Swedish expansion on the international construction scene has not been an undiluted triumph; companies have had to pay for the apprenticeship. Thus Balken won a Middle East contract at a fixed price, was caught by the inflationary rise in material and building costs, ran into bureaucratic delays and transport problems and took a loss. Last year most of Balken's contracts included index clauses. BPA put a lot of effort into bidding for an Algerian dam and irrigation project which finally ran into internal difficulties. It suffered a different kind of setback last year, when its Swedish workers went on strike in Warsaw and its record for completing projects on or ahead of schedule was blemished.

On the other hand the Swedes do have some major advantages. Size is important on the international market both for the capacity to raise bonds and credits and for the ability to organise large-scale projects, and the Swedish companies are big. Skanska is the largest in Europe while BPA and Balken are among the top 10. This is remarkable for a nation of only 8m. but the size of the construction companies results directly from the situation on the domestic market. Sweden's high labour and material costs have compelled the companies into mergers, in order to effect the increases in productivity and the rationalisation of supply and work methods which in turn call for large-scale operations.

Similarly, under the exigencies of the domestic market the Swedish companies have developed very sophisticated planning techniques and supply and work control methods, which fall pat with the demands of big, overseas, turnkey projects. Again, many of the big development projects in the Middle East and developing countries, for which tenders are now being sought, are eminently suited to the Swedes' experience and skills in concreting, excavating and even rock handling. These accomplishments often make the Swedes ideal partners in international consortia bidding for the very largest projects which cannot be handled by one company.

The construction companies' overseas activities have also generated demand for Swedish building materials, mostly machinery, installation equipment, steel and timber products but also cement. Demand has been heaviest from the projects in Eastern Europe, which have at times resulted in the organisation of massive transport operations across the Baltic, but there have also been significant deliveries to the Middle East. It has been estimated that in 1975 delivery of Swedish building materials made up 28 per cent. of the production value of the foreign operations.

Euroc, the biggest of the building material concerns and like Skanska, with which it is closely linked, based in Southern Sweden, generated 36 per cent. of its Kr.2.3bn. turnover abroad last year. A considerable part, however, came from local manufacturing and licensing revenue. Euroc has been developing down market out of supplying operations. Thus, in addition to the supply of cement for turnkey operations, it markets sanitary equipment and electrical equipment through its IFO subsidiaries, the Siporex range of concrete girders and light building elements and a number of air-conditioning and heating units. It is now making a big effort to penetrate the Japanese market in co-operation with Japanese firms.

The cautious statements on overseas prospects by construction company executives are motivated in part by domestic politics. The private buildars believe that the trend under which an increasing share of civil engineering work and local authority housebuilding has been channelled to state concerns has been pushing them abroad as much as the market forces. With the arrival in power of a non-socialist government they hope that this trend can be halted or even reversed.

However, the recovery in domestic building which was being forecast at the end of 1976 may not materialise this year. The decline in housebuilding over the last three years was an inevitable consequence of the phenomenal effort made in the 1965-74 period when some 1m. new housing units were built, leading to an over-supply of high-rise flats. From a level of over 104,000 in 1971 new buildings started during the year had dropped to just over 56,000 last year. The trend was also away from big apartment blocks and collective housing schemes towards private houses, a development which favoured the small and the very large builders at tha expense of the medium-sized concerns.

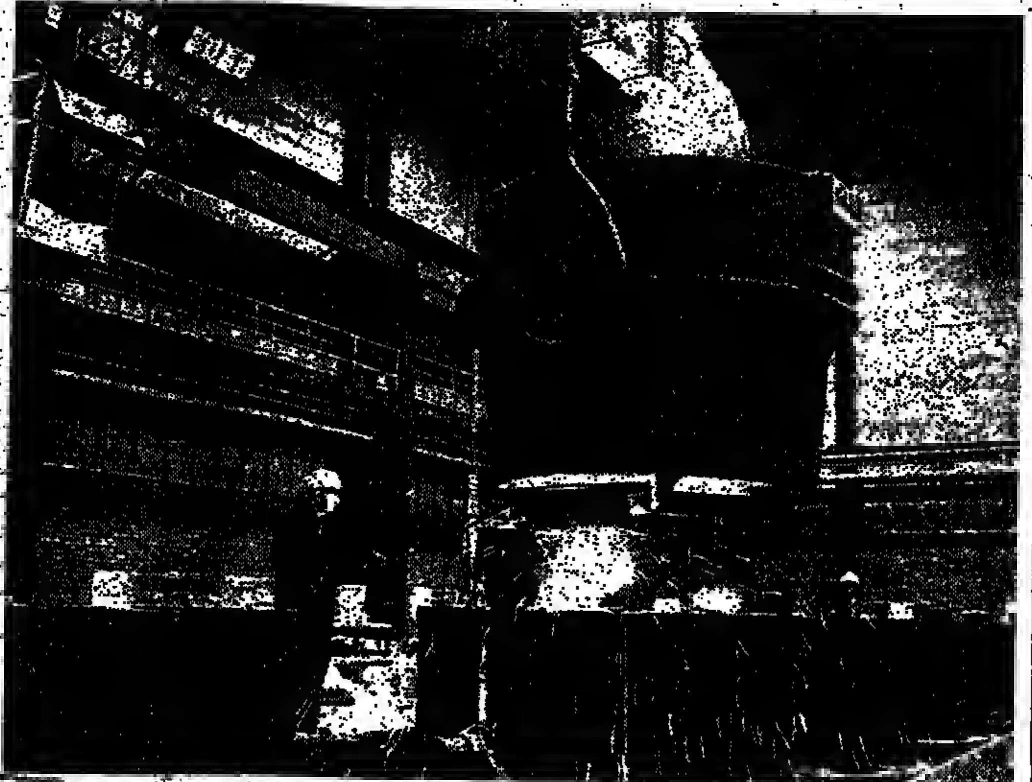
## Demand

Demand was due to pick up this year and a target of 58,000 naw starts was set. After tha first four months, however, it is becoming apparent that the rise in building material costs and the further increase prompted by new, more stringent insulating standards is causing many local authorities to lower their targats. The increase in VAT, the Government's switch to a more restrictive domestic demand management in the hope of stimulating exports, and decreasing investmant by the State power board, which is connected with tha confusion over the Government's nuclear energy policy, are other depressive factors.

The Government has also sought to give priority to industrial investment but after last year's low earnings and with heavy unsold stocks on their hands, few industrial concerns are keen to spend money on new building and plant. The long-drawn quarrel between the private contractors and the Swedish road administration, which has been allocating an increasing share of a declining road-building schedule to its own construction department, remains unresolved. Since the oil crisis of 1973, expenditure on new roads has fallen drastically, while Mr. Sven-Goran Olhede, the director-general, complains that his budget allocation for road maintenance and repair in 1978 is soma Kr.150m. too low to meet his needs.

Total investment in buildings, plant and equipment totalled Kr.36bn. in 1975 out of a GNP of Kr.288bn. The Swedish contractors are now once more complaining ruefully that even with the first non-Socialist Government for 44 years in power the construction industry is still being used as the prime regulator of the domestic economy. The immediate prospects for a building recovery are certainly not promising—which is one reason why the Swedes' thrust for a share of the international market can be expected to continue.

# Steel and mining must readjust



*Casting high-speed steel in Fagersta's new steelworks at Långshyttan.*

WEDEN PAID more for its nports of coffee last year than earned from its iron ore exorts. Mora than half the omestic demand for mild steel as covered by imports, while ne special steel companies lost ver Kr.500m. (£70m.) on their perations. This is tha current light of two industries—iron-inlng and steel-making—which ere once synonymone with wedish prosperity and quality.

Now rather belatedly, the wedes are tackling the prohem, at the core of which is the igh cost/productivity syndrome haracteristic at present of so nuch other Swedish industry.

The competition from the w-cost, large-scala producers n Brazil end Australia has lready deprived LKAB, the tate-owned iron-mining concern of the price-setting role it layed for so many years withln Western Europe. Tha company ecorded a heavy loss last year, as unsold stocks amounting to bout half a year's prodnctioo nd earlier this year decidad to ostpone a Kr.1bn. investmeot o a pelletising plant. LKAB an still hope that the quality f its magnetite ores, its processing skills and proximity to he markat should bring back he profits once tha European steel Industry moves out of recession. For the iron minea of Central Sweden prospects are more limited.

The steel industry faces several years of retrenchment and restructuring. Two government-commissionad investigations completed earlier this year have sketched in the parameters for this process but the precise future shape of the industry will be determined by the merger, product-swapping and joint marketing deals negotiated by the companies themselves. The non-socialist government has placed the responsibility firmly on the private companies although the tate involvement through Norrbottens Järnverk (NJA) and its own responsibilities towards redundant workers will force it to take key decisions.

## Abandoned

With hindsight it can be seen het consolidation of the steal odustry should have beeo tarted some years ago and that he controversial project aunched in 1974 to build a nassive new steel works at NJA headquarters in Northern Sweden, producing 4m. tons of steel a year, was misconceived—as indeed some Swedish economists said st the time. That scheme was based on the argument that Sweden should process more of its iron ore at bome and on tha belief thst a market for semi-fabricates existed in Europe. The project has been abandoned.

The factors currently forcing the industry into a defensive restructuring are the overcapacity in the steel mills of Western Europe, the sherp drop in demsnd from the car, building, snd most particularly, shipbuilding branches and the attack of the large-scale Japanese steelmakers, which is even threatening Swedish speciality steels. Together with the high cost level these factors hsve eroded the Swedish manufacturers' trsditional advantages of domestic ore supply and cheep power.

Professor Lars Nabseth, who examined the commercial or mild steel industry, believes its present predicament is more manageeble than that of tha shipyards. Rationalisation could restore productivity to a point where msnufacturers would recover the share of their own msrkets lost to imports, but the professor believes export ambitions will have to be pruned. The higher of the two alternatives he presents would leave Sweden with an anticipated production in 1985 of 4.7m. tons of crude steel compared with the present capacity of 5m. tons. Under the lower alternative Sweden would be producing 3.8m. tons. Mr. Nabseth expects the actual outcome will lie somewhere between the two.

He has been appointed by the government to co-ordinate the merger talks among the companies. In addition to NJA, which recorded a pre-tax loss of Kr.784m. last year, the major companies involved are Gränges and Stora Kopparberg, whose commercial steel operations had a combined operating loss of some Kr.240m.

Mr. Nabseth's proposel calls for the closure of blast furnace production at Stora Kopparberg's Domnarvet works and a reduction in its crude steel capecity from 1.15m. to 400,000 tons. Under the more optimistic alternative Gränges Oxelösund works would actually increase capacity from 1.2m. to 1.8m. tons, while NJA would retain its 1.7m. tons capacity. Oxelösund would not increase capacity snd NJA would decrease slightly under the lower alternetive. Swedeo would end up in 1985 with two cosstal metallurgical centres.

This proposal sppesrs to fit well with company strategies. Stora Kopparberg hae already started to dispose of its steel operetions and is being transformed into a forestry-based conglomerate after its takeover of the Bergvik och Ala pulp end paper mills. Gränges Is aiming et investment compsny status Involving it io steel ooly as a minority shareholder.

The snsg Is that both privste companies are in effect seeking to push the burden onto the government, while Mr. Nils Aesling, the Minister of Industry, is trying to stick to his non-socialistic principles, insisting that the companies must take tha consequences of a msrket economy. It is understandsble that, after undertaking to underwrite the restructuring of the shipyards, Mr. Aasling is not keen to commit the government to further besvy expenditure on steel. Mr. Nabseth calculsfes that his maximum programme would need s cspital input of some Kr.1.8bn. with the lower alternative costing about Kr.1bn. less, but these estimates exclude the regular investments on plant renewal.

Mr. Bjorn Wahlström, the new mansging director appointed by the new non-socialist Government to rejig NJA, is in no doubt that the company with siste capital behind it must take the initiative. He has put forward a plan for the consolidation of NJA, Gränges Oxelösund and Stora Kopparberg's Domnarvat works into one steal company, which would buy up a stock-holding compeny, build two new terminals et Stockholm and Gävla and open a marketing offensive in the Nordic countries and West Germany.

Oxelösund's menaging director, Mr. Ian Wechtmeister, has stated publicly that tha Stata must take the major responsibility, while both the Nabseth plan and the Wahlström proposal allot a minor role to Stora Kopparbarg. The squeeza is thus on Mr. Aasling, who is elso nnder strong pressure from the matalworkers' union. Faced with proposals that would mean e cut of between 3,800 and 4,500 jobs in commercial steel, the onion is calling for a Stata take-over. Undar the circumstances it is almost inevitable that the current negotiations on ownership structure and capital input will result in snother large step towsrds a Stste-owned steel industry.

The smaller compsnies will specialise to a greater extent, according to the Nsbseth plan, producing steel mostly from scrap io electric erc furnaces and concentrating on the rolling of madium aod small sections. Their production of crude steel will dacline by 70,000-300,000 tons depending on which alternative proves to be more accurate. Specialisation on fewer products, it is estimated, will raise productivity. The number producing reinforcing steel, for instance, could be cut from aaven to four.

## Reaction

Mr. Tony Hagström, Ministry of Industry under-secretary io tha former social-democrat Government, was responsible for the report oo the special steel industry, which provoked a more negative reaction from the eight companies concerned than the Nabseth report. Yet Mr. Hagström's investigation brought to light a situation which for at least some major products is more complicated than that of the commercial steel companias and calls for even more decisive action. About three-quarters of the special steal output competes on the export market.

He estimated not only that the special steel companies hsd run at a loss of over Kr.500m. in 1976 but also that the average return on capital employed during the preceding five-year period had been as low as 3.3 per cent. Much more labour intensive than commercial steel concerns, with a delivery valne of close to Kr.5.7bn. in 1974, they accounted for over half the total turnover of the Swedish steel industry, even though they utilised barely 30 per cent. of the crude steel produced.

The basic problem, apsrt from high wage costs in a relatively labour intensive industry, is that the Swedish products sre meeting incressingly tough competition from new foreign manufacturers. For the mejority of products the Swedes are price-takers and oo longer hava e msrket position which enebles them to influence prices. Mr. Hagström's recipe was, therefore, thst they should merge, concentrste on fewer, higher qualified products and streamline their msrketing. Since production concentration would lesve spsre metallurgical capscity, it would have to be complemented by standsrd qualified products in which the advantages of large-scale manufscturing could be exploited.

## Controversial

One controversial suggestion was that three stainless steel producers should merge, in order to meet competition from the large-scale Japanese manufecturers and from British Steel's blg new Investment in cold-rolled stalnless steel strip. This would involve a merger of Gränges' Nyby plant with the Johnson concern's Avesta Compeny and tha Fegersta company's steel nperation.

Mr. Hagström himself foresaw "psychologicel end economic" hindrances to this plsn and proposed as e second-best solution that Nyby end Fsgersts should join forces. Neither the Johnson concern nor Fagersta have shown much enthusiasm. Similerly, oeither Sandvik nor Uddeholm heve accepted the proposition thst the former should take over the latter's welded staioless steel tube plant at Storfors, s project which is being partially financed by a Government regional grant.

The report also suggested a number of mergers and product arrangements for carbon and high-speed steels, involving SKF, Fagersta snd Uddeholm aod a re-orgsnisation of the forging and casting operations of Bofors, Surahammar and Avesta's Björneborg mill. Some of Mr. Hagström's proposals heve baen anticipated; others will oot be accepted, although the branch as e whola has given him credit for doing e thorough job.

Mr. Hagström's rather pessimistic conclusion was thst, even if the changes he recommended were made, it was unlikely that Swedish special steel production could in the near future reech the sverage profitability for Swedish industry ss a whole. Somewhat surprisingly Mr. Hagström also found thst the investment in research and development was inadequste in some companies. He proposed that a separate study be made of the braoch's research oeeds and of tha state support for it.

A bright contrast to this general picture is the Sandvik company, which as far as cao be seen from published results was the only Swedish steel company to show a profit after cost-calculated depreciatioo and interest charges last year. Significantly, Sandvik's strength stems from the decreased importance of steel in its production and its steady expansion into cemented carbide products, where it bas become a world leader.

The general conclusion to be drawn from the re-appraisal of the steel and mining industries, which the Swedes have conducted over the past year, is that with determined restructuring and tight financial control they can both look forward to e viable future within their present contours. This applies as well to the Boliden company's copper, zinc and lead mining and processing. But neither can sny longer be regarded as e growth industry.

# Competition and costs threaten paper

THE SWEDISH PULP, paper and hoard manufacturers are holding on, grimly convinced that demand from their West European markets will eventually strengthen sufficiently to enable them to put up their prices and imprnve their margins. They have borrowed over $100m. abroad to finance their unsold stocks and they are increasingly having to balance prodnction against their stock levels.

Tha Swedes are determined to win the test of stamina on the price front against their *European customers*. However, the wbole issue of the Swedisb pulp and paper Industry's relations with Western Europe, more particularly with the Common Market, is in a aensitive pbase. The argument with Brussels over the indicative ceilings on imports of paper from Sweden remains unresolved. The charge of monopoly price-fixing against newsprint producers, including the Swedish, is still hanging In the air. And tha Swedes are concerned about thair loss of market share to the North Americans, even though they believe that growing demand at bome will reduce the American and Canadian interest in the West European market.

The importance of that market for the Swedish mills can hardly be overstated. They are more export-orientated than any others with the exception of the Finns, providing about a quarter of Sweden's total export earnings. The Swedes produce less than 1-12th of world pulp output but supply more than a quarter of tha pulp sold on the market (that is, that not used for integrated paper production in their own mills). Of their exports, 90 per cent. of the pulp and 85 per cent. of the paper go to Western Europe.

The 1976 company accounts raflect the impact on the industry of the two-year recession. Six companies, including ASSI, the state-owned forest products concern, ran at a loss last year. According to estimates by the Affärsvärlden financial weekly earnings for the industry as a whole declined by 46 per cent. last year, making a drop of over 70 per cent. from the boom year of 1974, when profits totalled Kr.5.2bn. (£700m.). Last year pre-tax earnings were barely Kr.1.5bn. and the ratio of earnings to sales had tumbled from 23.6 per cent. in 1974 to 6.5 per cent.

Understandably, tha companies which have withstood the recession best have been those with their own sources of raw material and energy. On the *price front*, the manufacturers of newsprint and bleached sulphate pulp have been in the strongest position. But developments during the first quarter suggest that more than six companies are threatened with a loss in 1977, unless tha price situation improves dramatically during the second half.

## Pressures

The cost pressures on their margins explain the stubbornness *with which the Swedish* pulp and paper manufacturers bave been trying to maintain and even improve prices. Like the rest of Swedish industry they are suffering from the upward thrust In domestic labour costs, although the effect is more indirect in their case. The big mills are not particularly labour intensive but the rise in payroll costs comes through in their raw material costs. During the 1970s the price of pulpwood has gone up by 164 per cent. compared with *100* per cent. for pulp prices. It bas been estimated that this puts the Swedish pulp makers at a disadvantage of some Kr.300 a ton compared with mills in the south of the United Statea.

Against government advice to cut prices they decided to hold on and take the adjustment in increased margin rather than to go for greater volume. Mr. Matts Carlgren, MoDo's managing director, estimated in his 1976 report to shareholders that each improvement of Kr.0.01 In the dollar exchange rate would Improve his company's income by Kr.3m. In comparison be calculated that to regain its lost market share MoDo would have to reduce prices by 15-20 per cent. The 6 per cent. depreciation of the krona against the D-mark had declined to just over 3 per cent. hy the middle of May and to even less against the dollar. The effect of the devaluation of the Finnish mark on Finnlsh pulp and paper sales also remains to be seen.

Some stiff bargaining is in prospect between tbe Swedish manufacturers and tbe EEC Commission over tbe indicative ceilings for Swedish paper exports to the Common Market, an issue which will come up in July, when a review of Sweden's foraign free trade agreement with the EEC is due to take place. The ceilings—or plafonds—establish the annual limits for imports of 14 paper product groups: if they are exceeded, the Commission can apply the full third-country import tariff on the excess. At tha same time as the paper tariffs were being gradually reduced, it was agreed, the ceilings should be raised by 5 per cent. a year from 1973 until 1984, when the tariffs would bave been abelished. The idea was to provide a smooth transition to free trade for the EEC paper manufacturers.

*Last year, reacting to Swedish* restrictions on shoe imports, the Commission froze the ceilings at the 1975 level and has kept some of them at the same level for this year as well. In fact, Swedish paper exports to the Common Market exceeded tha ceilings in only four instances last year, but the Swedes object to the principle *being ignored* and are worried about the possibility that full free trade may be delayed beyond 1984.

An even more dangerous threat is the indication that CEPAC, the central association of the European paper manufacturers, will try to bave the annual ceiling increase cut from 5 to 2.5 per cent. The Swedes *estimate that the freezing of the* ceilings cost them some Kr.15m. last year and could involve a further Kr.30m. or so this year. If, however, the ceilings remain frozen, or if the annual increase is halved, the cost up to 1984 could reach hundreds of millions of kronor. Tbe Swedes are trying to organise a common front with *the Finns, Norwegians* and Austrians, who have been less badly affected.

In 1976 the Swedish mills succeeded in more or less maintaining price levels for their paper products and market *pulp*, but at the *cost* of lower market shares. In pulp, for instance, the Swedes' sbare probably fell below 40 per cent. compared with some 45 per cent. in 1973 and 1974, while the Canadians, who signed some long-term contracts, were able to increase their share from around 25 to 35 per cent. Deliveries of Swedish market *pulp* rose by 5 *per cent. during* the year to 3.6m. tonnes but were still far off the 1973 and 1974 levels of over 5m. tonnes. Production of market pulp was cut by 8.7 per cent. to just under 4m. tonnes, but stocks continued to grow, even if at a much slower rate than in 1975, and were estimated to be around 1.5m. tonnes at the end of the yaar, or well over four months' sales at the current export lavel.

Paper and board exports did better on the whole, rising altogether by 19 per cent. to 3.25m. tonnes. Production rose by only 11.4 per cent., allowing for a 4 per cent. cut in newsprint output, but overall prodnction still exceeded salea and stocks rose by some 200,000 tonnes. Demand for kraftliner and board firmed *substantially* but competition from North America was also stepped up.

Swedish kraftliner pricea were thus forced down towards the end of 1976 and there was aven a break in the pulp price front, when aome mills made contracta at rebates, *it* is said, of up to 10 per cent. This breach has been sealed off, according to industry sources, and the price front re-established, though at a sligbtly lower level than before. In newsprint tbe Swedes and other producers were able to force up prices but only enough, it is claimed, to make np for the rise in costs.

The first quarter of 1977 brought a slight improvement in overall demand but with considerable variation among prodncts, leaving the industry in some confusion about prospects for later in the year. The difficulties of forecasting were complicated by a cbange in the mills' policy on pulp. Despite the continuation of the Government stock subsidies it was decided to cut back *production* even more severely—to around 70 per cent. of capacity — in order to make a start on offloading stocks.

## Production

Market pulp deliveries were 938,000 tonnes, or just over 5 per cent. more than during the first quarter of 1976, while production dropped by nearly 19 per cent. to 877,000 tonnes. Production of chemical pulp was reduced to 777,000 tonnes, or 22 per cent. lower than during the first quarter of last year, and is understood to have brought about a cut in stocks of some 100,000 tonnes. The increase in sales, however, came mainly In bleacbed sulphite, dissolving pulp and unbleached sulphate, while deliveries of bleached sulphate, which accounts for some 55 per cent. *of the total* volume, rose only marginally.

Growth in paper and board exports was 12.2 per cent. over the first quarter of 1976, while production increased by 8.8 per cent. Shipments to the EEC rose by 9.6 per cent. Board exports were up by 46 per cent. but of the other bulk products nawsprint deliveries dropped by 17 per cent. and kraftliner by 3 per cent. As with pulp, the pattern for paper and board exporta in 1977 has still not emerged clearly.

Some of the longer term effects of the *recession* on the Swedish pulp and paper industry are already apparent. The cash shortage, angendered by lower earnings and the financing of the unsold stocks, has already led to the postponement of *several* expansion plans. MoDo, for instance, will no longer increase sulphate capacity at its Husum plant and has drastically redneed its investment programme for the next two years. Holmen, which started up its new thermomechanical pulp mill at Braviken last month and will bring a 170,000-tonne paper machine into operation there in tha autumn, has postponed pbase two of the project, entailing a second paper machine and an expansion of pulp output.

The Braviken project, the first pbase of which will cost some Kr.650m. (£87m.), may *well be seen* in later years as marking a turning point in the development of the Swedish industry. With its 280,000-tonne capacity it is the biggest factory in the world producing thermomechanical pulp and the first in which production consists solely of this typa of pulp. Secondly, it could ba tha last big paper project in Sweden for many years to come, to be *based* on domestic raw materials. Tha issue of Sweden's wood resources and forest exploltation remains very much in the melting pot, but It is plain that tha room for expansion is limited. A programme for the import of wood chips from the United States is already being effected.

It remalns an open question whether re-thinking might lead to more joint ventures with European manufacturers, a development which could help to smooth away some of the current friction. Some indications pointing In this direction could be read into the development of Svenska Cellulosa, the biggest of the Swedish forest-based concerns.

It has been investing beavily over a number of years in establishing a few, large-scale production units manufacturing a limited number of products, newsprint, sulphate pulp and kraftliner. Its partner in tha *Obbola linerboard plant* is the St. Regis Company of New York, but Obbola is designed to feed the European market. A few weeks ago it was announced that SCA was taking a 49 per cent. holding in Jefferson Smurfit's packaging operations and breaking into the British kraftliner business. The word in the trade is that SCA has also been talking with Bowaters and the American Scott concern about eatablisbing a joint European company.

# Saab-Volvo merger

ONE OF THE curiosities of the European motor industry since the war has been Sweden's ability to maintain two (and at times three) profitable companies on a population base of only 8m. In this period the Swedes bave shown how clever marketing and clearly thought-out product lines can keep relatively small companies alive. Both Volvo and Saab-Scania have deliberately operated on the periphery of the popular car market, and only in the specialised truck sector, defying until tbis year the commonly-held view that they would eventually have to merge.

Saab and Scania came together in 1968 to combine the car activities of Saab with the Scania truck operation. The new group has been a profitabla entity, but suffered from the stagnation of demand that followed the 1973 oil crisis; last year Saab lost money. Volvo, too, has been bit by the tigbtening market conditions of the mid 1970s. Thus the two companies, pressured on all sides in International markets where they achieve most of their sales, are now planning to get together.

The reasons for the merger, which still has to receive formal union and Government backing, are clearly defensive. First, the two companies believe that thare is considerable overcapacity In tha European industry at the moment. This carries the implication that rationalisation must come, leaving fewer, larger companies around. Although the Swedisb companies have not overtly made tbe point, it seems that they see the need to be In a strong overall position, with a relatively significant size, to be ahle to respond to these changes aod seize what commercial advantages arise out of them.

Second, they feel that they need more muscle in overseas markets. They bave mentioned particularly the threat that the Japanese *are now posing* to European producers, putting pressura on them through more competitive prices in markets all *around* the *world*. It *is* relevant that the Japanese are especially strong in tha U.S.—where both Volvo and Saab had built up tbeir most *successful* car export business—and that they are now beginning tn expand into the world truck market in a big way.

Third, they clearly feel threatened by the expansion of the State-owned industry sector in Europe. Hidden subsidies to these concerns are becoming a common complaint in the private sector, and the independent companies feel that they are vulnerable tn concerns which can fall back upon Government aid. Companies which have some national or provincial state sharehnlding nr loan assistance in Eurnne now include Renault, Citroen/Peugeot, Vnlkswagen, BMW British Leyland, Chrysler U.K. and Alfa *Romeo*.

Foorth, they argue that Third World markals will gradually grow tougher because of the development of indigenous motor industries in these parts of the world.

The background to the merger talks haa been a gradual weakening of the Swedish companies in their domestic market combined with tougher conditinns overseas. At hnme, fnr example, the market penetration of Vnlvo and Saab has declined over the past five years, despite relatively buoyant conditions. In 1971 only 198,000 cars were sold in Sweden; by last year this had gone up to

CONTINUED ON NEXT PAGE

# Engineering the recovery

SH ENGINEERING ex- ed its toughest business ıns for many years in The unexpected decline order intake since last ɔer has led many com- ıanagera to talk of the ituation for 40 years.

Swedish bopes of pulling the present recession lie b—if not more—with the ɛring companies as with p, paper and board mills. ı the longer run with problems and competi- ɔm cheap-cost, developing es limiting the possibili- Sweden's raw-material- ndustries, the expansion orts needed to maintain edes' living standard will ı come from engineering. Swedisb multinationals o engineering base.

ady, engineering in its st sense employe some l Swedes or about balf ɛal industrial work force tbrough more than 4,000 nies. They cover an ıgly wide range of pro- for such a small country, sewing needles to one of orld's most sophisticated ɛy aircraft, from taxi- s to nuclear power plants. soma branches—ASEA in ıc power transmission, Ericsson in telecommuni- s, SKF in roller bearings, olux in vacuum cleaners, Copco in rock-drilling nent, Alfa-Laval in dairy nent and industrial sepa- —Swedish companies are g the world leaders. This ɛs not only to the bigger rns. Hiab-Foco, for in- ɛ, with an annual turnover ne Kr. 400m. (£54m.) ia the l's largest manufacturer of ıulic vehicle cranes.

## velopment

ɛently both the Engineering ɛiation and company ɛsmen have been under- g the need for a greater ıct development effort as answer to the high cost . Mr. Per Sköld, who as- ıging director of Statsföre- the state holding company 40 subsidiaries, holds a key tion in Swedish industry has a broader working in- t into it than most others, just made this point in a roversial statement. In t amounted to an exercise self criticism be told his ıal general meeting that the ɛ companies would bave to ıge their investment priori- away from the heavy indus- ı towards companies offer- a better return on capital towards the generation of business ideas. Research development had been ɛing at too slow a pace.

fter a sharp drop in ırts in 1975, the engineering panies recorded a further per cent. decline in volume year. Stocks of unsold ls, which had built up tly in 1975, increased more ly last year, as companies, ite the government stock ıdy, cut back production. ɛcording to preliminary ɛs contained in the last national budget, engineering output dropped by some 4 per cent. last year. It is not likety to recover from that level this year. A contributing factor to tbe weakness of export demand waa without doubt Swedish prices, wbich averaged a further 11 per cent. increase last year, giving a rise of over 35 per cent. in two years. Engineering companies were even beginning to lose ground on tbeir bome market.

Tbe picture is not uniformly bleck. Some one-third of the larger engineering companies were able to increase earnings last year. To some extent theee were the companies benefiting from large order books built up before the recession but it ia also significant that not a few were companies which have been concentrating on product development and new production systems.

ASEA is typical in both casea, and last year it succeeded in raising earnings by 25 per cent. The group's new managing director, Mr. Torsten Lindström, after making the obligatory remark about Swedisb industry'a hourly labour costs wbich at the beginning of the 1970s were about three-quarters of the American figure but which have now reversed, was also able to stress the efforta put into improving ASEA products, manufacturing techniques and marketing. Heavy electrical equipment ia development-intensive anywhere, but ASEA alone accounts for some 10 per cent. of Swedish industry's investments in technical development.

In particular, it has been banking a lot on new production technology, investing heavily in numerically controlled production equipment and industrial robots, some of its own design. At the same time, production is being switched systematically to so-called "product shops," plants designed to manufacture a single product or product family and allowing for the introduction of "unmanned" production technology. ASEA claims that this organisation reduces the amount of capital tied up in inventories at the same time as it creates the conditions for greater mechanisation and more efficient working methods.

Another company which is well advanced in product development is Alfa-Laval, which goes in heavily for long-term research and has started to expand from its base in dairy equipment and food-processing systems into environment and energy fields. A new plant at Lund in Southern Sweden, for instance, is concentrating on the manufacture of large plate heat exchangers. The company regards its technology as its principal competitive strength and invests heavily in research and development. Herein lies the rub for Swedish engineering as a whole. A high level of research spending calls for a solid return on capital which is not so easy to obtain, when costs are being pushed up.

PLM the metal can company, illustrates this problem. It too baa been expanding into the new business fields opened up by the industrialised countries' growing concern for the environment. It is aiming at providing a total "resource recovery" package for both industrial companies and local communities, involving the collection, disposal and recycling of waste. PLM is probably the foremost company in this field in Europe but its investment is now not likely to give a full return before the 1980s. Like Alfa-Laval, PLM raised its earnings in 1976, but this year the management is having to concentrate on improving profitability and achieving financial consolidation.

Two big names, L. M. Ericsson and SKF, declared lower profits last year. They, too, are indicative of the current difficulties and potential strength of Swedish engineering.

Ericsson's order intake declined for the first time in two decades, its earnings dropped by over 40 per cent. end in February this year the management was talking of laying off 12,000 workers for 30 days and closing down two Swedish factories. This action was avoided through an extra government grant to the State Telegraph Board, enabling it to bring forward orders worth Kr.300m. for telephone exchanges, and government subsidies to enable Ericsson to keep 10,000 workers under "training" one day a week for 20 weeks from the end of April.

The decline in the order intake was due to the dearth of new orders world-wide which bas hit the whole telecommunications industry, as governments and telephone services have postponed new investments. It was by no means peculiar to Ericsson. A major element in the earnings decline, which was mucb sharper than that experienced, for instance, by ITT was currency losses. Swedish companies in general, because they are so dependent on exporting, bava to take risks over exchange rates, both when granting credits and when investing abroad. They have not always beeo belped by having the krona tied to the deutchmark and steadily appreciating against most other currencies, including the dollar. This applies to the smaller Swedish companies as much as to a multinational like Ericsson. Nife Jungner, the expanding battery company, lost Kr.13.5m. from currency devaluations in South America, Italy, Spain and Australia last year.

Ericsson's setback last year needs to be seen in the longer perspective. Leaving out the U.S. and Japan, where the home producers dominate, Ericsson has some 20 per cent. of the world market for telephone switching equipment and technically is right in the forefront. In 1976 and 1977, in the middle of the recession, the group is investing over Kr1bn. (£130m.) on production facilities for its new generation AXE electronic telephone exchange system, with which it is competing for a share of a growth business expanding at an average rate of 7 per cent. a year. The Ericsson management believes that it has developed the right product at the right time.

In similar vein, Mr. Lennart Johansson, managing director of SKF, says, "There is no bearings idea which we do not investigate." SKF is a market leader with 40 per cent. of the European market and some 30 per cent. in South America. It has regularly invested 6-10 per cent. of its turnover, with spending staying in the upper range of that bracket for the past few years. Last year was one of the worst in its history and yet, given the competition and the state of the market, Mr. Johansson believes the 4 per cent. return on capital was a good result.

SKF has been fighting a defensive battle against the Japanese bearing manufacturers, who have been trying to carve themselves a slice of the European market by price cutting and who have incurred a temporary tariff harrier within the EEC, while their activities are investigated. The figures available suggest that SKF has succeeded in maintaining its market share even if at a cost of a—hopefully temporary—profits slump.

The Swedish group's big advantage has been the rationalisation it is achieving in its European factories through its global forecasting and supply system (GFSS) which has yet to come into full effect. In simplified terms it means a switch from hatch to line production at SKF's main European plants, so that each produces fewer bearing sizes but in greater volumes. This production rationalisation is comparable with that of ASEA in the heavy electrical branch and is typical of the methods, calling for both technical ingenuity and heavy investment, with which the best Swedish engineering companies are meeting the future.

Most of the 4,000-odd engineering companies are midgets compared with Ericsson, ASEA, and SKF, but a study published last year by the Engineering Association suggests that there is still a lot of vitality at the grass-roots in Swedish engineering. Based on the 1975 results, the study shows that companies employing 75-150 people were in fact more profitable than medium-sized companies with 151-500 employees and the big concerns with over 500 employees. To make sales of Kr.1, the small companies needed a total capital input of Kr.0.79 compared with Kr.0.89 for the medium-sized and Kr.1.15 for the big companies. This in turn indicated that the smaller companies could afford to operate with lower margins.

## Performance

They showed a return on equity before tax of 16.4 per cent. against 12.4 per cent. for the medium and 10.7 per cent. for the large companies. Evaluating the reasons for this performance, the Association found that the smaller companies had shorter stock turnover times (101 days against 123 days for the big companies), gave shorter credit to customers (71 against 84 days) and for some inexplicable reason were able to get cheaper loans. Their wage levels were lower than those of the big companies, who carry more higher-paid white-collar workers. The smaller companies also took greater financial risks although they had considerably higher debt ratios.

The small companies together weigh lightly in the total context of Swedish engineering, but the Association's study certainly provides support for the new non-socialist government's belief that more must be done to help small businesses through greater tax reliefs, cheaper credits and research funds.

# Saab-Volvo

CONTINUED FROM PREVIOUS PAGE

312,000 registrations. But in the same period Volvo and Saab's combined market share dropped steadily from 43.2 per cent. to 33.9 per cent., with the Japanese importers in particular mopping up the spare sales. The Japanese now have about 10 per cent. of the market.

Overseas, both companies have suffered from the strength of the krona, which has made their vehicles stesdily less competitive in receot years. Competitors also believe that their limited size has not helped them to establish the strength of distribution they would like, although Volvo's advertising, in particular, has at times been extremely effective.

Some rivals also question the continuing impact of the Swedish companies' traditional concentration on the virtues of their vehicles' high safety standards and reliability. There is a feeling that other companies have caught up with them in these fields, and that the Swedish vebeicles have in the meantime remained unnecessarily bulky and dated in design. The problem is that both concerns need to keep in step with international trends because they export so much of their production: in 1975, about 50 per cent. of their total output—160,000 vehicles out of a production volume of 316,000—was sold overseas.

On the truck side, Volvo and Scania have kept well abreast with the best of the European competition, although the big Volvo F86, which is showing some signs of age, is due to be replaced soon. Here again, however, both companies are running into stiff competitive pressures overseas, and seem to feel that they could maintain their export position — they sold 33,000 vehicles overseas in 1975 against a production of 45,000—more effectively as a single unit.

Both companies also suffer from the acute problems of the Swedish labour market, which has made manual jobs difficult to fill. Labour turnover is high, and there is a high proportion of foreign workers in the factories. Because of this, they have experimented with group working schemes to eradicate the assembly line system, but these methods have proved to carry a slightly higher labour cost penalty than traditional production methods.

Faced with these problems, Volvo and Scania have made moves to try to break out of their peculiarly Swedish straitjacket in recent years. Saab has done a deal to distribute the small Fiat Autobianchi car in Sweden, and Volvo bought the Daf car plant in Holland to add a range of smaller vehicles to its product line. The Volvo experiment has taken time to settle down, with troubles on the first new car, the Volvo 343, and a series of financial difficulties which have led the Swedish company to re-open talks with its other shareholder, the Dutch State Minea, on further cash injections.

At the same time, both companies suffered sharp dropa in their domestic market share this year.

If the merger goes through, it should give them improved production economies on both the car and the truck ranges. Although Volvo and Scania bave insisted that the two separate lines of vehicles will continue to be marketed, in the longer term it would be only logical to develop a range which was complementary and stylistically consistent: at the moment there is a world of difference between the chunky Volvo designs, those which have been inherited from Daf, and the aerodynamic shapes favoured by Saab (which derive from its involvement in the aerospace industry).

In the first place, however, the biggest economies would probably come in the area of component manufacturing. In the past, for example, Volvo and Scania have stood out, like Mercedes, as companies which manufactured their own major components in-house — engines, gearboxes and axles are designed by their own engineers rather than bought from proprietary manufacturers, and the end product is sold on the quality of the company engineering. This policy, however, is unquestionably wasteful of manpower and resources, and some integration of design and manufacturing over the next few years will probably occur.

As they become integrated companies, they should begin to assume a position of even greater significance in the European market. In heavy trucks, with a capacity of up to 50,000 units a year, they will be second only to Mercedes; and in specialist cars, with a capacity of 400,000 to 450,000 units a year, they will be larger than Mercedes, BMW, or any of the specialist arms of the volume manufacturers.

To achieve that position, of course, there has to be a lot of rationalisation. It will take some time to achieve the smoothness and neat organisation which, for instance, characterises the Mercedes organisation. But that is the prize which, at the end of the day, the present talks are designed to win.

By a Correspondent

# Maritime outlook set stormy

THE WORD "crisis" is unavoidable in describing the state of Swedish shipbuilding which was at one time second only to the Japanese in tonnage built.

To save them from financial collapse and prevent the large-scale unemployment which would have hit Sweden's second city, Gothenburg, the government has had to take over all the major yards with the exception of Kockums. It has committed itself to a massive financial package of over Kr.17bn. (£2.3bn.) in direct capital spending and credit and loss guarantees over the next three years. And with all that many Swedish shipbuilders believe that in two years' time the government will have to close more yards.

Swedish shipping is also in a crisis and has suffered heavy financial losses over the past two years. But the shipping companies have been taking advantage of their greater flexibility to restructure their fleets into more modern and efficient units, so that relatively small improvements in freight rates would have a substantial impact on their earnings. Both the largest shipping concerns, Broström and Salén, have disposed of their shipyard interests to the State. The shipowners are still pressing for the right to move ships to other flags, more particularly the British.

The plight of the Swedish shipyards demonstrates that the advanced, efficient production methods developed to compensate for high labour costs are of little avail when the market shrinks. It also shows the importance of careful credit management. Lacking a large enough domestic capital market, the Swedish yards had to go abroad for building finance. The result was that of an estimated combined loss of more than Kr.1bn. during the 1970s over half can be subscribed to exchange fluctuations. Götaverken, for instance, was caught out when it granted customers long-term dollar credits at low rates and then tried to refinance short-term in Swiss francs.

The larger Swedish yards were also organised to build VLCC and ULCC vessels, which made them particularly vulnerable to the collapse of the tanker freight market. At the end of 1976 the yards had 80 ships on order totalling 7.7m. dwt to a value of Kr.9bn., of which some three-quarters (in tonnage terms) was tankers. This was the lowest backlog since 1963 but even more significant was the fact that during 1976 only eight new contracts were signed for a derisory total of 3,850 dwt.

Government action, still to be approved by Parliament, involves the establishment of a State holding company, Statsvarv, to administer the Götaverken, Uddevalla and Karlskrona yards. The decision to close down the Eriksberg yard in Gothenburg, now part of Götaverken, was taken earlier and at the latest estimate will involve expenditure of some Kr.1.3bn. by the Government. Support for the remaining yards includes a Kr.1bn. capital input for Götaverken, so-called "depreciation loans" up to a total of Kr.1.3bn., covering 30 per cent. of the contract prices for new orders placed by Swedish shipowners, and a kitty of some Kr.2.6bn. to cover eventual losses on vessels built by the yards on their own account.

Over the next four years the State will guarantee credits up to a value of Kr.14bn. to cover the remaining 70 per cent. of the cost of the vessels built by the yards on their own account. This stock production has been severely criticised abroad, particularly by bankers, for hindering the big reduction in world shipbuilding capacity judged to be necessary to bring the industry into balance with demand. The Swedes retort that their programme allows for the 30 per cent. cut in capacity—measured in numbers employed—agreed by the OECD countries but which no other country has yet undertaken.

## Warned

The Government certainly envisages the possibility of further cuts in capacity. It has already warned the yards that it will review the market position in 1979, putting the onus onto yard managers to prove the viability of their concerns either as shipbuilders or by diversification into other fields. Mr. Erland Wessberg, the new managing director of Götaverken, the most exposed group, sees the Government intervention only as a holding action to give the industry time to adapt. It will nevertheless, he calculates, involve a reduction of some 40 per cent. in new-building capacity.

Mr. Wessberg believes there is still considerable rationalisation potential in his yards which, if realised, can reduce the 20-25 per cent. gap in building costs he estimates exists between Swedish and Japanese building costs. A reduction in overheads and cuts in the number of staff not directly engaged in construction will be accompanied by the introduction of a greater planning flexibility, to enable the yards to adapt to demand.

Götaverken will also look for ways of extending its engineering know-how into other production lines. It already has an industrial division and at the end of March unveiled a plan for a floating ammonia plant, which would make it possible to exploit small, offshore natural gas finds or the associated gas from offshore wells which is now either flared or re-injected.

The most energetic efforts at diversification, however, have been made by Kockums, the last large builder flying the private enterprise flag. It is aiming at getting at least half its turnover from its industrial operations in four or five years' time. It is already biggest in the world in saw-mill equipment, manufactures other mobile forestry machinery and produces off-highway trucks in the 15-45 ton range. New projects include a technique for using straw as animal feed and as raw material for pulp mills. This is already being tried out in a test plant.

Even more adventurous is Kockums' development from research into enzymes of a time temperature monitor for use on frozen packages which could have great potential in the food distribution business, if it is marketed successfully. Mr. Hans-Eric Ovin, deputy managing director responsible for the industrial projects, estimates that there are potential sales of $250m. in the United States alone for this product, which Kockums has patented. It will start marketing it there this year.

Kockums is cutting employment in its yards by 30 per cent. from the 1974 level, in order to qualify for the government credit guarantees. It has already decided to build two 133,000 cubic metre LNG carriers at a cost of some Kr.500m. each on its own account. These will be based on the Gas Transport membrane design used for two smaller carriers delivered in 1969, which have been operating successfully since then. The decision to build the carriers was based on three assumptions:—advanced technology ships offer the best means of taking advantage of Kockums' high productivity level in competition with the Japanese,

—very few other yards in the world are capable of building vessels of this size and complexity,

—demand for LNG carriers must pick up when the gas projects currently in the pipeline come into operation in the '80s.

President Carter's recent declaration on American policy suggests that Kockums' managing director, Mr. Nils-Hugo Hallenborg, may have backed a winner.

Gas is the core of an even more grandiose project to emerge from the concern's Malmö headquarters. In collaboration with five other Swedish companiea Kockums in February proposed a Kr.34bn scheme to aupply Sweden with natural gas, involving the construction of two pipeline networks in Sweden and of a fleet of lng carriers to transport the gas from the Middle East.

The project is politically interesting in that it could offer a solution to the coalition Government's energy problems, but so far reaction from within the power industry has been unkind. In the first report Swedegas, owned jointly by the State power board and private power companies, stated that the Kockums group had grossly under-estimated both the investment needed in the domestic storage and distribution network and the time it would take to realise the project.

At the same time as it announced its plan to shore up the shipyards, the Government also offered to guarantee loans for shipowners to a more modest total of Kr.500m., in order to tide them over their present cash shortages and to prevent them having to sell off new vessels at the present deflated prices. The shipowners had asked for Kr.700m. They are certainly short of working capital. Together they recorded losses of some Kr.400m. (£53m.) last year and have already been selling off ships to help balance their operating deficits. Last year ships totalling close to 2m. tons or around 12 per cent. of the Swedish merchant fleet were sold.

## Ability

These sales, which mostly concerned older vessels, have however contributed to a conscious restructuring and modernising of the fleet which can only increase its competitive ability. The pattern has been to move out of the tankers, bulk carriers and passenger/ferry vessels into more specialised trades involving container and roll-on/roll-off vessels or the refrigerated ships, in which Salén, for instance, has long been dominant. At the end of last year Swedish companies had some 30 ro/ro ships on order fnr delivery in the next three years. The paper mills, for inatance, are making increasing use of this type of ship.

Other defensive measures bave been to extend joint ventures with foreign shipowners, notably Norwegian and British and a atrong bid to get the government and the seamen's union to sanction the transfer of Swedish vessels to other flags, in order to palliate the effect of the high Swedish payroll costs and manning regulations.

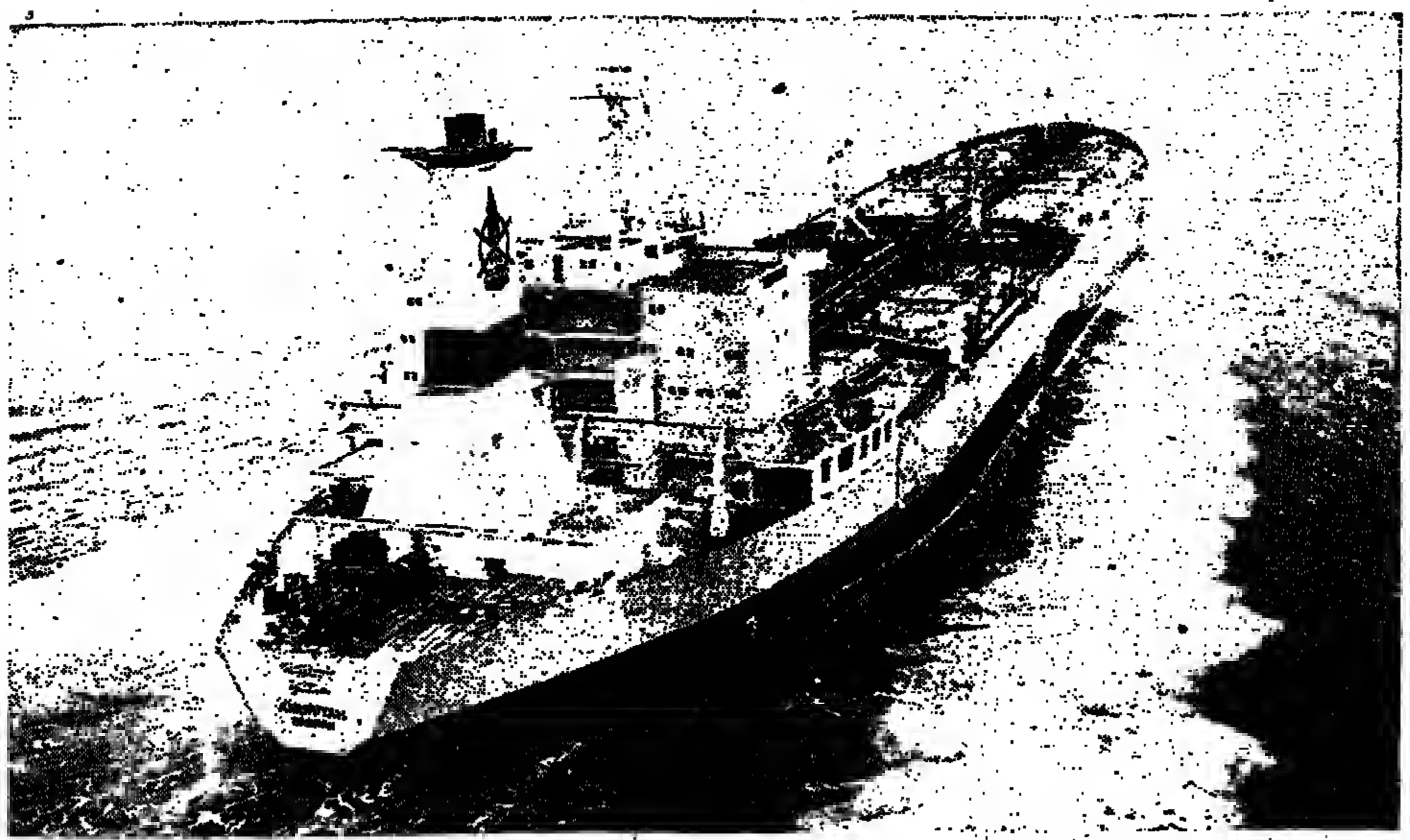
## Principle

This effort haa heen only partially successful. The Government, which has to authorise the transfer of each ship, is against the use of "flags of convenience" but accepts the principle that Swedish trade and business can sometimes be promoted, if Swedish ships sail under other flags. This distinction, eliminating registration in Panama or Liberia, has aroused shipowners' interest in the British flag. One widely quoted estimate is that the Swedish merchant marine would need to have one-third of its ships under foreign flags, in order to achieve a reasonable return on capital.

The retrenchment on the tanker side has centred mainly on the smaller vessels. At the end of the year Swedish shipowners still held some 14 per cent. of the world tonnage in tankers over 300,000 tons not owned by the oil companies themselves. The ULCCS still operated by Salén, for instance, will keep the company in the red this year despite fair prospects for its reefer and other business.

The most startling transformation in Swedish shipping has been effected by the Broström concern. Under Managing Director Ingemar Blennow it has divested itself of both its shipbuilding and industrial interests, established a bridgehead on the continent through the purchase of Incotrans in Holland, expanded its marine service and tug operation and is now offering customers a "total transport" service. It is reducing the capital employed in its tanker and bulk trade and is switching from conventional liner trade into "production-intensive" units or modern one-cargo freighters.

Boström has just ordered two new container vessels through Incotrans, two ocean-going tugs destined for offshore operations, and has asked for tenders for an undisclosed number of ro/ro ships. The investment involved would approach Kr.1.5bn., which shows remarkable aggression for a group that has not paid shareholders a dividend for three years and expects to make a further loss this year.



The 155,200 dwt tanker Amuriyah, built by Götaverken for the Iraq National Oil Company.

**SWEDISH SHIPYARDS' EARNINGS* 1970-1976**

(Kr. m.)

| Shipyard (No. of employees) | 1970 | 1971 | 1972 | 1973 | 1974 | 1975 | 1976 | Total |
|---|---|---|---|---|---|---|---|---|
| Eriksberg (3,831) | − 9 | − 37 | − 61 | − 33 | −228 | −383 | −280 | −1,031 |
| Götaverken (9,695) | −158 | − 60 | −113 | − 59 | − 15 | −375 | −173 | − 953 |
| Uddevalla (3,419) | − 21 | − 33 | 16 | 56 | 39 | 29 | 85 | 171 |
| Karlskrona (1,642) | 5 | 1 | 10 | 17 | 23 | 27 | 23 | 106 |
| Kockums (4,804) | 22 | 53 | 120 | 131 | 166 | 53 | 79 | 629 |
| Total | −161 | − 71 | − 28 | 112 | − 15 | −649 | −266 | −1,078 |

* Earnings = result after ordinary depreciation, net financial chargea and currency losses.

Source: Affärsvärlden

**SWEDISH SHIPOWNERS' EARNINGS 1975-1976**

(Kr. m.)

| Company | Insurance value of fleet | 1975 results Operating earnings | Ship sales | total | 1976 results Operating earnings | Ship sales | total |
|---|---|---|---|---|---|---|---|
| Salëninvest (incl. Salenia) | 3,637 | − 4 | 66 | 62 | −124 | 42 | − 82 |
| Broström | 3,116 | − 97 | 35 | − 62 | −119 | − 83 | −202 |
| Nordstjernan | 1,380 | 52 | — | 52 | ± 0 | — | ± 0 |
| Transatlantic | 1,155 | 2 | 6 | 8 | − 14 | 22 | 8 |
| Malmros | 970 | − 9 | — | − 9 | − 43 | 13 | − 30 |
| Wallenius | 890 | 46 | — | 46 | 70 | — | 70 |
| Gränges Shipping | 690 | − 29 | — | − 29 | − 64 | 25 | − 39 |
| Svea | 560 | − 38 | 15 | − 23 | − 44 | − 3 | − 47 |
| Kockums Shipping | 509 | − 15 | — | − 15 | − 36 | — | − 36 |
| Gorthon | 330 | − 3 | 8 | 5 | 3 | 17 | 20 |
| AB Gotland | 230 | 6 | — | 6 | − 1 | — | − 1 |
| Total | 13,467 | − 89 | 130 | 41 | −372 | 33 | −339 |

Snurce: Affärsvärlden.

# U.S. pressure for safer oil tankers

By ROY ROGERS, Shipping Correspondent

"IT IS our beaches that are being contaminated and the public will not wait." Surprisingly this challenging remark to a recent shipping conference in Oslo was made not by a Norwegian worried about the risks of blow-outs on North Sea oil rigs, but by Mr. Robert Blackwell, Assistant Secretary for Maritime Affairs at the U.S. Department of Commerce. American pressure for stricter safety and pollution control in oil tankers is being discussed in London this week by the council of the United Nations Inter-governmental Maritime Consultative Commission (IMCO) and the talks take place against a background of anxiety that the Americans will press ahead with restrictive legislation of their own governing the design of all tankers which use U.S. ports.

The angry reaction of Norwegian environmentalists to the blow-out on the Ekofisk Bravo oil rig illustrates the power of public opinion—once it is aroused—on questions of oil safety and pollution. This goes a long way towards explaining why the U.S. is putting increasing pressure on other maritime nations for a swift international agreement on improved oil tanker safety standards with the threat of unilateral moves by the U.S. if there is undue delay.

The American public's oil pollution jolt came last December with the now notorious incident involving the Liberian tanker Argo Merchant which ran aground off Nantucket spilling some 25,000 tons of oil. As if that was not sufficient to catch the public's imagination, the Sansinena, another Liberian-flagged tanker, exploded in Los Angeles Harbour two days later, and a further 14 tanker incidents were reported in or near U.S. waters over the following three months.

Public opinion in the U.S., fuelled by extensive coverage by the media, grew more and more hostile with each incident. Tanker operators in general and particularly those using flags of convenience came in for broadsides of criticism. Allegations of sub-standard vessels and poor seamanship were rife. U.S. fishermen sued the owners of the Argo Merchant for alleged damage to fishing grounds and the master of another vessel which grounded in the Delaware River was arrested on charges of discharging oil in violation of the Refuse Act 1899 and failing to report the discharge to the Coast Guard.

Environmentalists even threatened to sue the U.S. Government in an attempt to force through tanker safety measures. When President Carter took office he decided to set up a task force under Mr. Brock Adams, the new Secretary for Transportation, to study the tanker problem and draw up new safety standards.

He also announced the establishment of a $200m. fund for compensating pollution victims and said that licensing and qualification standards for American crews would be raised. A warning that all U.S. and foreign tankers calling at U.S. ports would be boarded and examined by the U.S. Coast Guard at least once a year and more often if necessary was also given.

As a result almost 1,000 vessels have been examined and in approximately half were found to have deficiencies. Most problems were with cargo venting and electrical systems but several vessels had substantial weaknesses which brought their seaworthiness into question. These were detained and at least one was later scrapped.

The big jolt to U.S. public opinion: the Liberian tanker grounded off Nantucket Island. About 25,000 tons of oil were spilt.

The President also urged that an international conference should be held on the subject—a suggestion that was warmly welcomed by IMCO and the International Chamber of Shipping.

But while backing President Carter's call for an international conference—now being arranged for next February—both IMCO and the Chamber expressed fears that the U.S. might press ahead unilaterally without awaiting the outcome of the international discussions. Their fears appeared well founded because in the past few weeks several U.S. Government officials have indicated that this is their intention. Mr. Blackwell told the Oslo shipping conference that the American public and Congress were overwhelmingly in favour of tighter safety control and pollution prevention and were not likely to wait for IMCO pollution rules to be implemented.

Rear Admiral S. A. Wallace, Maritime Policy Adviser to the Secretary of State for Transportation, writing in the Nautical Review, stated categorically that the U.S. Coast Guard would this month publish several "notices of proposed rulemaking"—the first step in America's legal system for introducing new maritime legislation.

But these fears of unilateral action by the U.S. were allayed somewhat this week by Mr. Brock Adams who stressed to the IMCO council that the Americans were prepared to give IMCO time to consider an international approach to the tanker problem. However, the U.S. would continue to press ahead with its preparations for unilateral legislation which would be implemented if IMCO's deliberations were thought to be inadequate or too lengthy.

In his address, Mr. Adams detailed the U.S. Government proposals for all oil tankers of 20,000 deadweight tons or more using U.S. ports. These include the provision of segregated ballast tanks, inert gas systems (for safe cleaning of oil tanks), back-up radar, collision avoidance equipment and improved emergency steering arrangements. In addition all new vessels would require double bottoms or hulls.

Although there is widespread acceptance within IMCO of the need for greater control over tankers, various countries and interests have reasons for opposing or seeking to modify the U.S. proposals, and these will be rehearsed on the IMCO council this week.

Some argue that the cost of improving existing vessels to meet the strict U.S. requirements would be prohibitive and others maintain that these measures are largely unnecessary because most major accidents are due to human error and not mechanical failure. Others accuse the Americans of using the pollution argument as a means of promoting their declared aim of securing a far greater share of U.S. oil imports for U.S. flag vessels.

The concept of double bottoms is itself controversial. Many experts maintain that double bottoms could prove more of a hazard than a safety measure because they would provide space for highly dangerous gases to collect.

The American authorities, however, maintain that the introduction of double bottoms would greatly reduce the level of oil spillage and that the loss of oil carrying capacity could be minimised by using the new enclosed area for segregated ballast.

Segregated ballast involves providing tanks exclusively for the sea-water which is carried by empty oil tankers as ballast. The use of separate clean tanks means that no oil is discharged alone with ballast water. Thus a major source of oil pollution by tankers would be removed. About 85 per cent. of oil spilled annually into the seas and oceans comes from deballasting and associated tank washing operations.

It is estimated that fitting of segregated ballast tanks into existing vessels would cost anything between $300,000 and $3m. depending on the size of the tanker. Installation of inert gas systems would add a further $500,000 to $3m. Taking into account the reduced oil-carrying capacity which would be the result of installing segregated ballast tanks, the U.S. proposals could hasten the passage of many older tankers to the scrap yard. (This would, of course, help to ease the present tanker surplus and generate new orders for the world's ailing shipyards.)

Many Governments and most private shipping interests are unhappy at the thought of having to face such huge costs and are trying to work out alternative policies. Britain is suggesting that nations with well developed and competent marine administrations should set up a so-called Marine Safety Corps to assist other nations to improve their vessel inspection facilities.

Funding for this Marine Safety Corps would come initially from those flag States with sizeable merchant fleets registered with them but who lack marine administration and inspection facilities and the necessary experts.

There is already some evidence that this approach is favoured by those tanker owners and operators—many of them American—who use flags of convenience. Only last week the Liberian Shipping Council called for more frequent inspections of vessels flying the Liberian flag with a view to "virtually eliminating substandard ships from the Liberian registry and preventing undesirable vessels from registering under the Liberian flag." Tankers flying the Liberian and Panamanian "convenience" flags carry an estimated 56 per cent. of U.S. oil imports and therefore stand to be affected most by the introduction of stringent safety measures by the U.S.

It is early days yet and the U.S. legal system allows for considerable time for objections and complaints before legislation is enacted. But in spite of Mr. Adams' honeyed words this week, it is clear that the U.S. administration will not wait much longer than a year for action from IMCO, which it accuses of having been ponderous and bureaucratic in the past. And according to Mr. Blackwell, the rules could be made even tighter if there is another significant oil incident off America in the next six months.

# Letters to the Editor

## Solicitors and conveyancing

*From the Chairman, British Legal Association.*

Sir,—Your Consumer Affairs Correspondent, Elinor Goodman, writing on May 19, reports the call by the Consumers' Association for the abolition of the inaccurately described "monopoly" which solicitors have on conveyancing. A monopoly situation does not exist because, as your report indicates, individuals are entitled to-day, as always, to do their own conveyancing if they are prepared to attempt to acquire the requisite legal knowledge and skills, and to accept the consequences of the risk involved, which may well not become apparent for many years when the property is sold and bought again. At a time when there is said to be an increasing need for consumer protection, one is surprised to find responsible bodies like the Consumers' Association advocating do it yourself conveyancing as though it were merely a species of simple form filling and did not require, as you will know is in fact the case, experience and understanding of how to apply to the circumstances of each transaction and the parties thereto, a wide field of law not readily mastered by the layman.

It is particularly sad to observe this encouragement to the breaking down of good relationships between solicitors and their clients when one observes from the Consumers' Association report that in general clients were satisfied by the service they received from solicitors, and about half of the sample interviewed had said that they were "very satisfied."

Whilst, on the one hand, there is a vociferous multi-purpose lobby endeavouring to drive a wedge between solicitors and the public, it is more than a little ironic to see in the same report by your Consumer Affairs Correspondent the lament that some eight law centres will face drastic cuts in staffing and services, and even possible closure, unless funding from central government is increased. On the other hand, solicitors in private practice, who provide in total far more legal aid than all the law centres put together, are expected to provide those services at below economic rate (Crown Court and County Court fees paid to solicitors have hardly moved upwards at all for many years and are woefully behind inflation, in marked contrast with the fees levied by the Lord Chancellor for the issue of proceedings, which are regularly and startlingly increased in a purely arbitrary fashion), whereas law centres are heavily subsidised out of public funds. A more sensible use of such funds would be to make it possible for solicitors in private practice to provide at all times the whole range of legal aid services, by paying them the economic rate for so doing. The Prices and Incomes Board, some years ago, condemned cross-subsidisation of solicitors' fees, but successive Governments have done nothing to ensure that in those areas where solicitors are grossly underpaid (in legal aid matters in general, and in particular in the Crown and County Courts) the position is corrected. Indeed, the Government has just dealt a blow to the legal aid scheme as it affects undefended divorces which will, at one and the same time, make it much more difficult for persons of limited means and ability to obtain help and assistance at a critical juncture in their lives, and depress still further the total fees which solicitors receive for legal aid. If we genuinely seek to maintain a democratic society in this country, then we cannot afford to pour vast sums of money into that amorphous area called "social work," and neglect our legal system.

S. P. Best.
*64, Highgate High St., Highgate, N.6.*

## Business with breakfast

*From Mr. Stephen Sherbourne.*

Sir,—All lovers of the English breakfast will share the contempt of "Men and Matters" (May 20) for those philistines who mix business with breakfast. A good breakfast is its own justification and its own reward.

Surely therefore any establishment, such as "The Albert," which provides "a hefty old English breakfast" deserves a welcome rather than a sneer? Businessmen may be willing to abuse the institution as well as their stomachs, but there is no reason why the rest of us should.

Stephen Sherbourne.
*4, Ashdown, Cambalt Road, S.W.15.*

## Jubilee Mint condition

*From Mr. J. K. Money.*

Sir,—Congratulations to the Mint for knowing what return on capital employed is all about. One's cheque is cashed on receipt while the silver Jubilee coins are despatched after 90 days.

J. K. Money.
*18, Pembroke Gardens Close, London, W.8.*

## Post without tiers

*From Mr. Bernard Campion.*

Sir,—While I sympathise with Dr. Leslie Symons (May 20) over his philatelic problems I cannot help wishing that this was all we had to worry about in our alleged postal "services."

Most of us are growing sick and tired of the second-class service which we were originally told, might have to be delivered by second post, in order to give the first-class mail priority of handling. Now it is extremely rare to receive a second-class letter in under five days—and this is whether it has to travel from the other end of the country, the other side of the county, or from the next street. It is not difficult to guess the useful function of the gentleman who recently informed an Old Bailey judge that he was by profession "a Post Office delayer," and we wonder how much extra these vital workers cost the long-suffering consumer.

We are also fed up with the total shut-down of postal services on Sunday, when most people traditionally tackle their personal correspondence, and the cessation of later evening collections, thereby causing another 24 hours' delay to about 50 per cent. of commercial mail—even at first-class prices. Even more exasperating is the smug assurance from omniscient "spokesmen" that the public "does not need" these services, and that their abolition is saving £8m.—in an organisation wherein the annual profits or losses are always in hundreds of millions. Some economy!

Bernard Campion.
*34, Traveneague Gardens, Manadon, Plymouth, Devon.*

## Finance for companies

*From the Managing Director, Commonwealth Development Finance Company.*

Sir,—Your "Finance for Smaller Companies" survey (May 23) was most interesting and useful but it had one noticeable omission. The only discussion of overseas activities related to the export facilities of ECGD; no mention was made of investing overseas and the sources of finance available to companies for that purpose.

CDFC is willing and able to help companies invest overseas, particularly in the Commonwealth and the developing world. Since its incorporation in 1953 CDFC has helped several hundred ventures in over 40 countries from Australia to Zambia, with over £60m.

Apart from CDFC, there are a number of other national and international agencies that are able to provide equity finance for the overseas expansion of U.K. companies. These include IFC, ADELA, PICA and SIFIDA, as well as the various national development banks.

D. F. Pearl.
*Colechurch House, 1, London Bridge Walk, S.E.1.*

# To-day's Events

Labour Party National Executive meets.

TUC General Council meets.

International Monetary Fund team continues review in London of Britain's economic progress since IMF loan.

President Carter ends two-day talks in Washington with Crown Prince Fahd of Saudi Arabia.

EEC Agriculture Ministers end two-day visit to Britain as guests of Mr. John Silkin, current President of EEC Agriculture Council.

Strategic arms limitation talks continue in Geneva between U.S. and USSR.

Anglo-U.S. civil aviation agreement talks continue in London.

Law of the Sea Conference continues, New York.

General election in Holland.

Sir Richard Dobson, chairman, British Leyland, expected to make statement on "slush fund" allegations at company's annual meeting.

Mass meeting of electricians on strike from British Steel Corporation's works at Port Talbot.

Mrs. Margaret Thatcher, Opposition leader, addresses Conservative Women's conference, Central Hall, Westminster.

From to-day, surveillance licensing comes into effect for iron and steel imports into U.K. from non-EEC countries.

CBI Wales Council meets.

Automobile Association annual meeting, Savoy Hotel, W.C.2.

Exhibition of paintings by John Hamilton on the Second World War at Sea opened at Guildhall Art Gallery by Lord Mayor of London. Open to public from to-morrow.

PARLIAMENTARY BUSINESS

House of Commons: Patents Bill (Lords), second reading. At 7 p.m., Opposed Private Business.

House of Lords: Debate on energy problems and on EEC energy policy.

Select Committees: Expenditure (Trade and Industry sub-committee). Subject: The Fishing Industry (10.30 a.m., Room 16). Overseas Development. Subject: Trade Policy and Aid Policy. Witnesses: (1) British Leyland International; (2) British Railways Board (4.15 p.m., Room 15).

OFFICIAL STATISTICS

Bricks and cement production (April).

COMPANY RESULTS

Avon Rubber (half-year). BOC International (half-year). Cappers Neill (full year). Alfred Dunhill (full year). Greenall Whitley and Co. (half-year). London and Northern Group (full year). Marley (half-year).

COMPANY MEETINGS

Berwick Timpo, Wellshouse, 79, Wells Street, W., 12. Blackwood Hodge, Dorchester Hotel, W., 12.30. Boosey and Hawkes, Cafe Royal, W., 12. British Leyland, Dorchester Hotel W., 12. British Printing, 20, Aldermanbury, E.C., 12. Brown Bros., Great Eastern Hotel, E.C., 11. Carpets International, Carpets International Centre, W., 12. Clayton Dewandre, 11, Bruton Street, W., 11.30. Fairbairn Lawson, Leeds, 12.15. General Accident Fire and Life Assurance, Perth, 11.30. Greenbank Trust, Liverpool, 3. Ladbroke, Ladbroke Belgravia Hotel, S.W., 11. Liden, Leyton, E., 12. London and Provincial Poster, May Fair Hotel, W., 12. Pearl Assurance, High Holborn, W.C., 12. Provident Life Assurance of London, Abercorn Rooms, E.C., 12. Stanley (A.G.), Kent, 4. Thomson T-Line Caravans, Falkirk, 12. Ultramar, Winchester House, E.C., 11.30. Weir Group, Glasgow, 12. Wood and Sons, Stoke-on-Trent, 12.



# U.K. and U.S. reciprocal recognition

*From The Chairman, Michael Payne and Co.*

Sir,—On May 21 you published an article on the subject of the Draft Convention on Reciprocal Recognition and Enforcement of Judgments between Britain and the U.S. In this article you referred to a speech I made at the Lloyd's of London Press Seminar on Products Liability and you included some comments from the Lord Chancellor's Department and by "Whitehall officials" to which I must now refer.

It is suggested that I made no reference in my speech to the fact that the draft is entirely reciprocal. This is incorrect as reference to the text will confirm. It will be noted that not only did I state that I could see no advantage for the U.K., I even gave a specific example of how it had been suggested (by the Lord Chancellor's Department) that the reciprocity might work the other way. This example appears to have been based on a misconception. Extensive research by our attorneys in America has confirmed that in the circumstances quoted a judgment in this country would be enforceable now in the U.S. under existing procedures.

It appears that the American negotiators had indicated that U.K. judgments were not presently enforceable in the U.S. because U.S. Courts apply the doctrine of reciprocity to such judgments instead of enforcing them as a matter of comity. This is not correct and there is ample case law confirming that British judgments *are* enforced under comity in the U.S. Comity requires that a foreign judgment be enforced *whether or not* the foreign state would accord like treatment to a comparable American judgment.

Thus, from the British point of view there is no need for the Convention which will only have the effect of increasing the number of U.S. judgments enforceable over here in addition to "making the procedures simpler," the latter comment being that of the Lord Chancellor's Department in your article.

Why should there be a need to make it simpler to enforce American judgments here? It is suggested that this is the same kind of reciprocal agreement Britain has had for many years with France, Germany and other European countries. But there is a vast difference between the legal systems of those countries and that of the U.S., so many aspects of which are abhorrent to us. Nowhere else in the world is the contingent fee basis operated whereby the plaintiff's attorney receives an average of 40 per cent. of the damages by way of his fee. This aspect, coupled with a jury system, over-liberal interpretation of the law and its application leads to awards of damages on an ever-escalating scale, to a point where manufacturers in some States in America are unable to buy insurance cover for products liability, other than at a price they cannot afford. Some have indeed gone out of business and the problem became so acute that in the latter period of his Administration President Ford established a "Presidential Task Force" to report on the situation.

As I stated in my speech however, the Convention would not recognise punitive damages, a further aspect which has caused considerable problems in the U.S.

I refer now to the general comments made in your article by the Lord Chancellor's Department. It is appreciated that at present the Convention is only in draft form—hence the reason why I felt it necessary to draw attention to it publicly now so that those who will be most affected by it will have the opportunity of expressing their views—as leading insurers have done already.

That these draft proposals must be taken seriously cannot be in doubt. It is our opinion confirmed by research in the U.S., that the "stringent tests" to which the Lord Chancellor's Department has suggested U.S. judgments would be subjected before being ratified here, are nothing like stringent enough. We have made strong representations to have certain vital articles amended as otherwise there can be no question but that judgments not presently enforceable here will indeed be "rubber stamped." Consequently in time, when the full effects of such a Convention have begun to really bite, there will be additional U.S. jurisdiction over the trading activities of British companies.

In many respects these reforms and the problems associated with them are likely to put us at an economic disadvantage in the competitive area of overseas trade. Those countries not subject to such laws or conventions will have lower production and trading costs as a result—a fact which should be fully appreciated before it is too late.

M. W. Payne.
*85, Gracechurch Street, E.C.3.*

# COMPANY NEWS + COMMENT

## Ransome Hoffmann over £2.6m. midway

BEARINGS, electrical products and fastener manufacturers Ransome Hoffmann Pollard expanded pre-tax profit by £0.63m. to £2.62m. in the 26 weeks to April 1, 1977. Sales were ahead from £37.73m., to £42.52m.

The directors say that prospects for the second half depend on the level of world trade, trends in U.K. market and outcome of national discussions on pay restraint. Consequently, even at this short range, it is difficult to make an accurate forecast.

World markets continue to be slack and the resulting excess capacity in the bearing industry causes stiff price competition. In February this year the EEC imposed provisional anti-dumping duty on Japanese bearing imports into all community countries. The company hopes this will lead to some price improvement and better margins.

Stated earnings per 25p share were 4p (4.1p), or 3.5p (3.3p) fully diluted, and the net interim divided is lifted to 1.44p (1.31p) on capital increased by rights issue. Last year payments totalling 3.44p were made from profits of £5.13m.

| | Half year 1976-77 £000 | 1975-76 £000 |
|---|---|---|
| Sales | 42,518 | 37,726 |
| Interest | 630 | 657 |
| Pre-tax profit | 2,618 | *1,991 |
| Tax | 1,312 | 1,057 |
| Net profit | 1,106 | 934 |
| Extraord. debits | 41 | — |
| Subsid. profit | . | †59 |
| Attributable | 1,047 | 833 |

* Increased by £185,000 for adjustment to new accounting basis.
† Debit in respect of pre-acquisition profits of subsidiaries.

The sales volume was little changed and the order intake for bearings was flat during the half-year. Production was maintained at a higher level than sales to build stocks in expectation that demand in the home market would gradually increase.

The recovery has, however, not arrived and the company is now restricting production levels in line with current sales to avoid further stock increases. For several weeks in February and March there was a loss of sales due to the Leyland tool makers' strike, Mr. G. W. Barlow, the chairman, states.

Commissioning troubles at the new Blackburn foundry restricted its output for several months but the various problems are now being overcome. There were also considerable start-up costs in the new ball plant layout at Chelmsford, he reports.

The electrical company, MTE, obtained increased levels of orders and sales and profits were higher.

An analysis of turnover and profit by activity shows in £000s: bearings 37,023 (33,084), 1,825 (1,341); electrical 3,178 (2,903), 688 (564); and fasteners 2,317 (1,739), 105 (86).

### ● comment

Despite a 31 per cent. rise in interim pre-tax profits, RHP's statement is cautiously slanted. Sales value has increased by 12¾ per cent., within which volume has remained static. The main growth has come from margin improvement — up from 5.28 per cent. pre-tax to 6.15 per cent.—which apparently stems from a general cost-tightening operation. But the group clearly has serious doubts about whether it can hold margins at their improved levels in the second six months. Certainly operating costs are continuing to rise steeply and competition within the world bearings market is particularly intense at the moment, despite recent EEC rulings. But perhaps the main worry is that the second-half comparisons will be made with a strong period, whereas the first half compared with a depressed six months. A doubled first-half profit (suggesting a 20 per cent. second-half downturn) should still be within reach, though, and that puts the shares at 60½p on a prospective fully diluted p/e of 8.4, with a yield of 10 per cent. covered twice.

Statement Page 29

### INDEX TO COMPANY HIGHLIGHTS



## Earnings rise for Outwich

With earnings per 25p share rising from 2.23p to 2.91p for the year ended March 31, 1977, Outwich Investment Trust is stepping up its dividend from 1.925p to 2.53p net, with a final of 1.9p. In addition a one-for-one scrip issue is proposed to holders registered May 27.

Total income for the year rose from £1.49m. to £1.63m. and at the pre-tax level emerged ahead from £1.05m. to £1.32m.

Net assets attributable to the Ordinary shares amounted to £29.82m. (£28.38m.)—equal to 118.1p (112.4p) per share.

| | 1976-77 £ | 1975-76 £ |
|---|---|---|
| Revenue from invests. | 1,534,260 | 1,401,712 |
| Underwriting commsns. | 1,261 | 5,063 |
| Bank & loan interest | 95,330 | 50,693 |
| Making | 1,630,971 | 1,498,468 |
| Interest payable | 212,318 | 332,747 |
| Expenses | 96,429 | 83,073 |
| Revenue before tax | 1,319,223 | 1,050,652 |
| Taxation | 499,979 | 403,260 |
| Balance | 819,244 | 647,292 |
| Dividends | 722,046 | 569,291 |
| Forward | 919,990 | 622,692 |

## H. Samuel expands to peak £9m.

A SECOND HALF upturn in taxable profit from £6.3m. to £7.36m. was attained by jewellers and silversmiths H. Samuel, taking the total for the year to January 31, 1977 to a record £9.02m. against £8.4m. Sales, excluding VAT, were up £6.48m. at £46.28m.

Expansion continues both by additional new branches and the extension of existing units and the company is having a very encouraging start to the current financial year, the directors state.

Stated earnings per 25p share were 22.13p (19.52p) and a net second interim dividend of 6.4p raises the total to 7.5p (5.3p) in accordance with close company requirements.

| | 1976-77 £000 | 1975-76 £000 |
|---|---|---|
| Sales exclud. VAT† | 46,281 | 38,743 |
| Pre-tax profit | 9,015 | 8,398 |
| Tax | 4,398 | 4,719 |
| Net profit | 4,617 | 4,679 |
| Extra-ord. credits | 99 | 93 |

† Including VAT sales were £51.23m. (£45.20m.).

### ● comment

Comparable figures at H. Samuel were distorted by changes in VAT shifting demand away from the traditionally strong second half to the interim period. So the 17 per cent. increase in second half profits is an unfair guide to the overall trading picture, but nevertheless second half profits did make up for the interim setback, and the year is ahead by 7 per cent. on a sales advance (ex-VAT) of 16 per cent. Physical expansion of existing stores, and new openings accounts for some of the growth in sales but even so demand does seem to be holding up surprisingly well. The public may be trading down, but Samuel's experience this year suggests that sales are continuing to edge ahead and first half figures could pass the £2.1m. profits peak of 1975. As a close company, dividend restraint does not apply, so the payout is up 42 per cent. for a yield of 8.2 per cent. at 147p while the p/e is 6.4.

## Fine Art up 31.2% to £3.62m.

GREETING card publishers, Fine Art Developments achieved a 31.2 per cent. increase in pre-tax profits for the year ended March 31, 1977 from £2.76m. to a record £3.62m. on turnover up by 25 per cent. to £33.35m. against £26.71m.

Profit at halfway was £0.86m. compared with £0.71m.

The directors propose to raise further permanent capital by a rights issue.

Earnings per 5p share are stated as 4.708p (3.232p) and a final dividend of 0.8512p (0.6585p) lifts the total to 1.2012p (1.1085p) net. The directors say that the Treasury has indicated that consent will be given, in the context of the rights issue, for the payment of dividends totalling 1.807p for 1977-78.

It is proposed to raise some £1.85m. by the issue of 9,182,406 new Ordinary shares on the basis of one-for-four at 21p.

The issue, which has been underwritten by County Bank, requires an increase in the authorised share capital, the directors say, and is subject to shareholders' consent.

| | 1976-77 | 1975-76 |
|---|---|---|
| Sales | [illegible] | [illegible] |
| Trading profit | [illegible] | [illegible] |
| Investment income | [illegible] | [illegible] |
| Interest | [illegible] | [illegible] |
| Profit before tax | [illegible] | [illegible] |
| Tax | [illegible] | [illegible] |
| Net profit | [illegible] | [illegible] |
| Extraord. credit | [illegible] | [illegible] |
| Minority interests | [illegible] | [illegible] |
| Attributable | [illegible] | [illegible] |
| To cap. reserve | [illegible] | [illegible] |
| Dividends | [illegible] | [illegible] |
| Retained | [illegible] | [illegible] |

### ● comment

A 31 per cent. increase in pre-tax profits from Fine Art exceeds outside estimates. Trading has been buoyant on both fronts. Greeting card sales volume was up by over 15 per cent. thanks to its position in the cheaper end of the market, and mail order continued to press forward both at home and overseas, with the latter's sales contribution rising 65 per cent. to £2½m. Now with only 27 per cent. of group turnover coming from the traditional greeting cards division mail order is providing the major growth, with overseas markets supplying the long-term potential. Turning to the rights issue—there are no cash strains (the year-end balance-sheet will show nil net short-term debt, and the loan capital is down to £350,000) but borrowing fluctuates and there is obvious scope to cut down on the interest charges of over £½m. That aside, the proceeds of the rights will be used for the £2½m. manufacturing and warehousing extension to be built over the next two years—Government grants will cover half the cost. The dividend is given a boost and the prospective ex-rights yield is nearly 10 per cent. at 30p which, combined with a historic p/e of 6.2, is far from demanding.

## Profit fall at Orion Insurance

Pre-tax profits of Orion Insurance Company, a subsidiary of Nationale-Nederlanden N.V.—the Dutch insurance conglomerate, fell back in 1976 to £2.82m. from £4.19m. previously. The underwriting result broke even on the year with a profit of only £4,000 compared with £1.26m. in 1975, the home and overseas fire and accident account having a loss of £396,000 reflecting not only storm and subsidence claims but the cost of expansion. Investment income advanced to £4.14m. from £3.34m. previously.

Sir Anthony Bart, in his chairman's statement, refers to the unprecedented shipping tonnage lost in 1976 amounting to over 1m. tons and insured for sums in excess of £200m. The marine account was affected by the overcapacity in the international marine market with little sign of realism returning to ratings.

The recent catastrophe in Tenerife underlined the effects of a serious aircraft collision, states Sir Anthony and the company is involved as an insurer of both airlines. But he does not anticipate the net cost to the company to have a significant effect. This loss may well strengthen the resolve of underwriters to bring in the desired increase in premium levels.

The inflationary awards being handed out by juries was a cause of concern to liability business and premiums were not keeping pace with awards.

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### DIVIDENDS ANNOUNCED

| | Current payment | Date of payment | Corre-sponding div. | Total for year | Total last year |
|---|---|---|---|---|---|
| Bishopsgate Platinum 3rd int. | 3‡ | June 10 | 1 | — | 8.7§ |
| Eng. Nat. Inv. Defd. | 1.35 | — | 0.93 | 1.86 | 1.1 |
| Fairdale Textiles | 0.74 | July 1 | 0.63 | 1.04 | 0.95 |
| Fine Art Dev. | 0.85 | July 7 | 0.66 | 1.2 | 1.11 |
| Muirhead ...int. | 0.7 | July 15 | 0.6 | — | 3.32 |
| Outwich Trust | 1.9 | June 28 | 1.35 | 2.53 | 1.93 |
| Ransome Hoffmann ...int. | 1.44† | July 20 | 1.31 | — | 3.44 |
| St. George Assets ...int. | 0.29 | July 28 | 0.25 | 0.43 | 0.39 |
| H. Samuel ...int. | 6.4 | July 11 | 4.3 | 7.5 | 5.3 |
| Scott & Robertson | 0.02 | — | 1.56 | 1.83 | 1.66 |
| Scot. Heritable Tst. | 0.64 | — | 0.58 | 1.22 | 1.11 |
| Scottish Nat. Tst. ...int. | 1.25 | June 18 | 1.1 | — | 3.05 |
| F. Sumner | 0.27 | Aug. 30 | 0.35 | 0.77 | 0.7 |
| Swan Hunter ...2nd int. | 3.35 | July 25 | — | — | 5.91 |
| Thanet Invest. Trust int. | 0.8 | — | 0.7 | — | 2.4 |
| Transparent Paper | 2.76 | Aug. 5 | 2.76 | 4.42 | 4.02 |
| Uniflex | 2.75 | — | 2.5 | 2.75 | 2.5 |
| Westpool Investment | 1.65 | July 29 | 1.48 | 2.65 | 2.35 |
| Wheatsheaf | 3.06 | — | 3.05 | 5.56 | 5.05 |

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ South African cents. Gross throughout. § For 13 months. ¶ Making 6.5p to date in respect of 18 months.

## Transparent Paper jumps to £1.52m.

REPORTING more than a full profit recovery to a record £1.52m. for the year ended April 2, 1977, Transparent Paper also announces plans for a one-for-three rights issue at 55p per share to raise some £1m. for further expansion. This is the first cash call to holders since 1961.

The year's profit, of which £0.92m. accrued in the second half, compared with a depressed £414,363 in 1975-76 and exceeds the previous record in 1974-75 by £322,000.

Earnings per 25p share amounted to 13.28p compared with 2.62p. The dividend is increased by the maximum permitted—from 4.02p to 4.42p, with a final of 2.76p.

Since the year end, trading conditions for the group have been good and the directors are encouraged by the prospects for the current year. They expect to recommend dividends for 1977-78 on the higher capital at a gross level 10 per cent. higher than those for 1976-77.

Explaining the reasons for the proposed issue, the directors say that in the past four years £4.7m. has been applied in a modernisation and extension of plant and machinery and a further £1.8m. is budgeted for the current year. If the company is to improve its competitive position and continue to expand, it must be able to provide for significant further investment of this nature.

It is anticipated that provisional allotment letters will be despatched on June 10 to Ordinary shareholders registered May 20, and that dealings in the new Ordinary shares will commence on June 13. The issue has been underwritten by Robert Fleming and Co. Brokers are de Zoete and Bevan.

| | 1976-77 £ | 1975-76 £ |
|---|---|---|
| Turnover | 21,931,685 | 15,957,833 |
| Earnings before tax | 1,523,464 | 414,363 |
| Taxation† | 790,167 | 262,040 |
| Net earnings | 733,797 | 152,323 |
| Extraord. credits | — | 15,698 |
| To deb. redemption | 21,420 | 2,863 |
| Pref. dividends | 5,109 | 9,100 |
| Ordinary shares | 241,191 | 219,387 |
| Retained | 2,335,747 | 2,030,321 |

† Includes tax deferred by capital allowances £313,917 (£252,880), and deferred by stock relief £190,383 (£88,800 credit).

### ● comment

Transparent Paper's proposed rights issue is certainly not a dividend raising exercise. The forecast is for no more than a 10 per cent. increase in the 1977-78 dividend and that lifts the yield at 71½p from a historic 9.7 per cent. (cum-rights) to a prospective return (ex-rights) of 11.1 per cent. Neither is the group trying to relieve an overburdened balance sheet: the last accounts showed no overdraft and a cash balance of £157,511. The main aim of the issue is clearly to allow the group to take advantage of the world-wide recovery in demand for packaging products which lifted the 1976-77 profits by 267 per cent. Much of last year's growth came from exports which were more than doubled and a good deal of the rights issue money will be concentrated on building these up further. The issue, which has been pitched at a 21 per cent. discount, should have little difficulty in taking off.

## Prospects at King & Shaxson

The risk of loss by bankers King and Shaxson has been minimised by not investing in the longer bonds during a period of great uncertainty, says Mr. T. S. Hobler, the chairman, in his annual statement. Published net assets now stand at a peak £6m., against £3.35m., and inner reserves are also at record levels, he states.

He also points out that the total retained profit carried forward at the end of the year to April 30, 1977, is sufficient to cover the net dividend at the present permitted rate of increase for well over three years.

As reported on May 13, for 1976-77 profit, after providing for rebate, tax, and transfer to contingencies reserve, was up from £0.62m. to £0.97m. The dividend is lifted to 3.03p (equivalent 2.739p) per 20p share.

At April 30, 1977, current assets totalled £234.48m. (£206.58m.) and included Treasury bills, bank bills and trade bills less rebate, of £191m. (£160.23m.), British and Dominion Government, corporation and other stocks, less reserve of £20.32m. (£3.56m.) and London sterling and dollar negotiable certificates of deposit £21.96m. (£40.84m.).

Current liabilities totalled £228.47m. (£201.23m.) and included secured loans of £209.29m. (£184.04m.) and creditors, deposits and contingencies reserve of £19.99m. (£7m.).

King and Shaxson Fund Managers had a good year with a substantial rate of inflow of new business. Investment in Gilts has now become fashionable in spite of very sharp fluctuations in interest rates.

The directors continue to take a cautious approach to the markets, for although general circumstances in the U.K. have improved they feel that some difficult times may still lie ahead.

# ISSUE NEWS AND COMMENT

## Bemrose rights to raise £750,000

A one-for-six right issue at 48p to raise £750,000 net is announced by Bemrose Corporation. As a result, the Treasury has granted permission for gross dividend to be increased by 40 per cent. to 5.8p in respect of 1977.

Purpose of the issue is "to maintain an appropriate ratio between borrowings and shareholders' funds." Capital expenditure in 1976 amounted to over £1.8m., and it is the Board's intention to continue this programme and increase the rate of investment in those businesses where the prospects of profitable market growth and export potential justify further expansion.

The trading performance in the first quarter of 1977 has been satisfactory due to maintained improvement at the two carton units coupled with slow recovery in the transfer printing market. Demand remains high for flexible packaging and security printing products.

Details of the issue will be despatched on May 27 to Ordinary holders registered on May 20. Provisional allotment letters will also be enclosed and it is expected that dealings in the new shares, nil paid, will commence on May 30. Brokers to the issue are W. Greenwell and Co., S. G. Warburg is the underwriter.

### ● comment

Bemrose Corporation's need for extra share capital is hardly pressing, notwithstanding the considerable investment programme. The debt/equity ratio in the last balance sheet was a conservative 27 per cent. and free capital, in the form of deferred taxation, was considerable at £4.4m. Capital expenditure in the current year has already reached the 1976 total of £1.8m., but the gross cash flow last year was nearly £3m. and should be greater this time round. So the gearing level this year would be unlikely to reach a dangerous level even without a rights issue and the conclusion must be that the real purpose of the issue is to increase the dividend and improve the share rating. In this aim it will probably succeed and already the shares cum-rights have risen 5p to 66p. The ex-rights yield is now 9.1 per cent. against the sector average of 9.3 per cent. In view of the good record of Bemrose, the shares look reasonably attractive.

## Folkestone debenture

Folkestone and District Water Company is raising £600,000 by the issue of 12½ per cent. Redeemable debenture stock 1984, at £100 per cent. The issue is payable as to £25 per cent. on May 30 and £75 per cent. on June 30.

Interest is payable half-yearly on June 30 and December 31 with the first payment of £6.515 per cent. (gross) due next December. The stock will be redeemed at par on August 1, 1984.

Proceeds of the issue will be used to provide funds for capital expenditure.

Brokers to the issue are Seymour Pierce and Co.

### ● comment

Activity in the fixed-interest issue market is picking up and undoubtedly the Folkestone issue will have been well received by the market. Inevitably, comparisons will be drawn with the £10m. Stockport Corporation issue this week on a redemption yield of 12½ per cent. Against that Folkestone matches the yield on a period shorter by nearly eight months, though Folkestone is, of course, a far smaller issue, which may limit its appeal to some institutions. However, buyers of this stock will probably be going for a good running yield for the full term, so marketability loses some of its argument. Overall a premium can be expected when dealings start on Friday—if it goes to a full point above par the yield would be 12.4 per cent.

## Local Authority bonds

The coupon rate on this week's batch of local authority yearling bonds has eased from 9½ per cent. to 9¼ per cent. Again the price is £99⅞ par cent. The bonds are due on May 31, 1978.

The yearling issues this week are:— City of Glasgow District Council (£½m.), City of Leeds (£½m.), Greater London Council (£2½m.), City of Swansea (£1m.), City of Bristol (£1½m.), Inverness District Council (£½m.), West Yorkshire Metropolitan County Council (£½m.), Nithsdale District Council (£1m.), Rother District Council (£1½m.), Dudley Metropolitan Borough Council (£½m.), Stockton-on-Tees Borough Council (£½m.), District of Wrekin (£½m.), City of Salford (£1½m.), Woodspring District Council (£½m.), Angus District Council (£1m.), North Devon District Council (£½m.), Ogwr District Council (£0.55m.) and Doncaster Metropolitan Borough Council (£½m.).

Two-year bonds carry a coupon of 10½ per cent., unchanged, are issued at par and due on May 23, 1979. The issues are Epping Forest District Council (£½m.) and Lothian Regional Council (£½m.).

The coupon rate on three years bonds is also unchanged at 11¾ per cent., issued at par and due on May 21, 1980. The issues are Greater Manchester County Council (£2m.), London Borough of Islington (£1m.), Borough of Blaenau Gwent (£½m.) and West Lancashire District Council (£½m.).

Five-year bonds this week carry a coupon of 12½ per cent. issued at par and due on May 19, 1982. The issues are London Borough of Brent (£½m.), Barnsley Metropolitan Borough Council (£1m.), Gosport Borough Council (£¼m.) and St. Edmundsbury Borough Council (£½m.).

### GIEVES—96%

Gieves Group's rights issue to raise £209,000 on the basis of one-for-six at 40p each has been taken up as to 96.1 per cent. The balance has been sold at a premium and the net proceeds will be distributed to entitled shareholders.

### BRISTOL PLANT

Carlton Industries has posted notices to shareholders of Bristol Plant who have not yet accepted its offer of December last for the 4,511,160 Ordinary shares of Bristol Plant not already owned by Carlton. The offer will remain open for acceptance until June 24, when it will be closed.

# Wheatsheaf upsurge to record £6.21m.

INCLUDING A contribution of £1.3m. from operations in France, pre-tax profit of Wheatsheaf Distribution and Trading rose sharply from £3.91m. to a record £6.21m. during the 52 weeks ended February 26, 1977.

Turnover went ahead from £275.66m. to £343.91m. including £1.93m. (£1.61m.) overseas.

When reporting first half profits up from £1.63m. to £2.4m. the directors anticipated a good year—they also forecast a dividend total of 5.555p (5.05p), the maximum allowed, which is now being recommended with a net final of 3.055p.

Stated earnings for the year are 18.5p (13.1p) per 25p share.

Mr. E. Aylett Moore, chairman, reports that the basic wholesale business has made good progress in a difficult year with further expansion both from own resources and by acquisition.

The company "will continue to back both ends of the retail spectrum."

The development of Carrefour hypermarkets will be as energetically pursued as hitherto, as will the efficient operating of existing units, he adds. Overseas, with the closest co-operation of the vendors the company is steadily creating first class indigenous management teams to ensure sound growth. In addition the extension of activities will be encouraged.

| | 1976-77 £000 | 1975-76 £000 |
|---|---|---|
| Turnover† | 343,912 | 275,655 |
| Profit before tax | 6,208 | 3,911 |
| Taxation | 3,276 | 2,279 |
| Net profit | 2,932 | 1,632 |
| Minorities | 31 | 24 |
| Attributable | 2,901 | 1,608 |
| Interim dividend | 329 | 263 |
| Final | 442* | 401 |
| Undistributed profits | 2,130 | 944 |
| Extra-ord. debits | 42 | 41 |
| Retained | 2,088 | 903 |

† Includes: delivered wholesale £111,772 (£54,537), trademarkets £183,267 (£148,252), Carrefour £42,394 (£33,188), other retail £6,278 (£8,484) and shopfitting, packing and [illegible] £1,200 (£1,190).

## ● comment

A near 60 per cent. increase in pre-tax profits from Wheatsheaf put market estimates on the low side. Within that performance the group can point to growth from all its divisions apart from the small own retail outfit which is being run down. Carrefour has undoubtedly been fast moving judging by the minority interest charge, and pre-tax profits may well have been trebled to say £1.4m., though the company gives no profits breakdown. France has also chipped in more and the wholesale division and trademarkets have both improved profits despite cutbacks by schools and business and pressures on small grocery outlets. A fourth Carrefour market came on stream four weeks ago and the Gibson acquisition will add to the potential of VG delivered wholesale. Another very good year looks in prospect, and the p/e of 8.6 at 190p is inexpensive if one compares it with Associated Dairies.

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# Recovery at Scott & Robertson

After £0.37m. at halfway, pre-tax profit of Scott and Robertson, makers and merchants of jute and textiles, rose to £0.79m. for the year ended February 25, 1977.

Profit has recovered to its former levels and compares with the depressed £0.11m. of 1975-76 and record £0.92m. in 1973-74.

In October last year the directors confirmed their earlier forecast of a marked improvement for the year.

Stated earnings per 25p share are 8.3p, compared with 1.46p and a net final dividend of 0.915p lifts the total from 1.6627p to 1.829p.

| | 1976-77 £ | 1975-76 £ |
|---|---|---|
| Turnover | 16,856,000 | 14,345,008 |
| Depreciation | 480,885 | 429,660 |
| Interest | 100,174 | 210,913 |
| Pre-tax profit | 785,899 | 109,249 |
| Tax | 391,888 | 32,912 |
| Extraordinary credit | *305,454 | †49,467 |

* Mainly from sale of building and plant of the Grange factory. † Debit.

# Westpool Inv. at £320,000

Revenue before tax rose from £0.3m. to £0.32m. for Westpool Investment Trust in the year to April 30, 1977. Total revenue was higher at £0.52m. against £0.46m.

Stated earnings per 25p share were 2.78p (2.54p) and at year end net asset value, after dividend payments and including full investment currency premium, was better at 131.5p (122p) or 128.5p (120p) when fully diluted.

The total net dividend is lifted from 2.35p to 2.65p with a final of 1.65p.

The directors stated that, following the discontinuation of discussions on the merger with Ashdown Investment Trust in February, 1977, consideration has been given to possible alternatives. However, while these alternatives will be kept under review, they have decided, after consultation with major shareholders that the company should continue as an independent investment trust.

| | 1976-77 £ | 1975-76 £ |
|---|---|---|
| Total revenue | 522,289 | 462,484 |
| Expenses and interest | 198,732 | 162,463 |
| Pre-tax revenue | 323,557 | 300,021 |
| Tax | 111,418 | 106,518 |
| Net revenue | 212,132 | 193,503 |

# Scottish Heritable

ON TURNOVER increased from £8.38m. to £10.45m., pre-tax profit of Scottish Heritable Trust rose from a depressed £233,310 to £535,135 for 1976. At midway profit was ahead by £123,000 to £214,000.

Earnings per 25p share for 1976 are shown as 7.47p (2.84p) and the dividend is stepped up to 1.218p (1.108p) with a final of 0.635p net.

A divisional analysis of profit shows: property and investments £291,484 (£220,197), carpets and floor covering £306,906 (£182,219), hairdressing supplies £135,682 (£44,641), mail order sales nil (£38,962 loss), motor supplies £799 (£79,144 loss) and plant hire, etc. £181,859 (£204,871), less group expenses £100,639 (£97,823) and interest £300,956 (£202,689).

The directors state that the group's properties were revalued as at December 31 and the loss of £119,239 on revaluation of those included as fixed assets was deducted from reserve, whereas the profit of £187,584 on those included as trading stock has not been included in the accounts.

# Halfway rise for Muirhead

IN the half year ended March 31, 1977, profits of Muirhead, the electromechanical and communications equipment group, improved from £600,000 to £652,000, on sales ahead from £7.35m. to £8.53m.

At the trading level the result of £771,000 against £709,000 reflects a turnround from a loss of £79,000 to a profit of £40,000 overseas more than offsetting a decline from £788,000 to £731,000 in the U.K. In addition the group result was struck after closure costs of £60,000 in the U.S.

The action taken to restructure the U.S. operation has resulted in concentration of all activities into one factory in New Jersey, and the closure of two other factories in Connecticut and Long Island.

The longer term benefits of this reorganisation are expected to be significant, with improved use of management, manpower, and space resources, but there is a short term cost of closure, amounting to some £60,000.

Introduction to the market of the new document facsimile range was delayed for about one year, principally because design changes were introduced at a late stage to ensure compliance with recently agreed International Compatibility Standards.

This problem has affected U.K. profitability since development costs are written off as incurred, but the equipment now has greater customer appeal.

Trading continues to be buoyant with order intake, order books and inquiries, particularly from overseas, all running at record levels, the directors report.

The interim dividend is raised from 0.6p to 0.7p—the total for 1975-76 was 3.3179p paid from profits of £1.4m.

| | Six months 1976-77 £000 | 1975-76 £000 |
|---|---|---|
| Group sales | 8,530 | 7,352 |
| U.K. trading profit | 731 | 788 |
| Overseas trading profit | 40 | †79 |
| Group trading profit | 771 | 709 |
| Interest earned | 2 | — |
| Interest charges | 85 | 63 |
| Debenture interest | 36 | 41 |
| Profit before tax | 652 | 600 |
| Estimated taxation | 323 | 390 |
| Net profit | 329 | 210 |

† Loss.

## ● comment

In recent month, Muirhead has been much touted as a growth stock and a bid prospect. No bid has yet been forthcoming and the first-half results show a mere 8.7 per cent. increase, so the shares boiled over yesterday, falling 10p to 190p against the trend. But the implication of the accompanying statement is that the second half will see a much faster rate of growth. The relocation of operations from three U.S. sites on to one was completed at the end of February while the delay in launching the new range of facsimile machines is now over. Outside estimates run to about £1.8m. pre-tax for the year as a whole, putting the shares on a prospective p/e of 12.2. This could be on the high side unless a bid is forthcoming, although there is plenty of scope when the law allows for the dividend yield to be raised from the current maximum of 2.7 per cent.

## BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

Interims—Aven Rubber, BOC International, Greenall Whitley, Marley, Redfearn National Glass.

Finals—Ash Spinning, Brunning Group, Capper Neill, Alfred Dunhill, Elswick-Hopper, Philip Hill Investment Trust, London and Aberdeen Investment Trust, London and Northern Group, Mount Charlotte Investment, Waco Group.

FUTURE DATES

| | |
|---|---|
| Interims— | |
| Allied London Properties | May 30 |
| Cambrian and General Securities | June 2 |
| CompAir | June 13 |
| Northern Foods | June 3 |
| Pleasurama | June 1 |
| Sterling Trust | June 3 |
| Finals— | |
| Buckleys Brewery | June 2 |
| Dawson James | June 1 |
| Derrington Investments | June 1 |
| Equity Consort Invest. Trust | June 2 |
| Ferguson Industrial | June 10 |
| Guthrie Corporation | June 2 |
| Lindustries | June 13 |
| Moss Bros. | May 27 |
| Sangers | June 1 |
| Walker and Staff | June 20 |

## BURMAH

The Burmah Shareholders Action Group is seeking discussions with the Burmah Board prior to the annual meeting on June 10 in the hope that the remaining differences between the Board's and the BSAG's resolutions in connection with the BP stock dispute can be resolved.

# Pessimism at Shiloh Spinners

The removal of restrictions on cotton yarn from Hong Kong and Pakistan from April 1 this year presents a new threat to employment in the textile industry, Mr. E. T. Gartside, chairman of Shiloh Spinners, tells members in his annual statement.

Expressing shock at the governments decision, he says that this further dose of liberalisation comes at a difficult time for the industry.

Referring to the re-negotiations of the Multi Fibre Arrangement, he says that it is vital that major modifications are secured to safeguard the UK textile industry against the cumulative effect of rising imports from several sources—during 1976 there was a further sharp increase in textile imports of 35 per cent.

The outlook for the company's sector of the industry "is not good at the present time." However, he says, the directors are constantly reviewing the company's activities and will take whatever steps necessary to adapt its activities to the changing circumstances, and in particular to make it less vulnerable to import penetration.

The chairman says that as part of the diversification policy the directors have decided to start a new company—Ambersguard—to market protective clothing and safety equipment for industry.

As reported April 29, pre-tax profit for the year to March 26, 1977 dropped slightly from £143,260 to £138,802, reflecting continuing depressed conditions and inflation.

Increased turnover, stocks and debtors reflect substantially higher raw material costs, particularly raw cotton which increased by 50 per cent. This increased interest charges substantially, he adds.

Working capital rose by £0.42m. (£0.22m. decrease), according to a statement of source and application of funds.

Meeting, Royton, June 15, 11.30 a.m.

## EMPIRE STORES

A statement of loan capital and other indebtedness in the document giving details of the rights issue by Empire Stores (Bradford) shows debenture stock, 5¾ per cent., 1985-90, £0.83m., 8½ per cent., 1991-96, £1.25m., 9½ per cent., 1994-99, £2m., for a total of £4.08m. Bank overdraft (unsecured) is shown at £1.37m., and acceptance credits at £2.5m.

# Progress for English National

In the year to March 31, 1977 gross income of English National Investment Co. advanced from £152,475 to £178,956. Interest charges absorbed £39,468 against £43,990, management expenses £51,850 against £22,322 and tax £45,425 compared with £51,785.

The final dividend on the 25p Preferred Ordinary shares is 0.93p for a total of 1.69p (1.5p) from stated earnings of 1.7p (1.5p).

Earnings on the 25p Deferred Ordinary are shown at 1.91p (1.12p) and the dividend total is 1.86p (1.1p) with a final of 1.25p.

The net asset values at the year end were 30p (29p) on the Preferred shares and 44p (45p) on the Deferred shares.

# AMC warning after good first quarter

FIRST QUARTER 1977 profits of Amalgamated Metal Corporation show an advance from £1.07m. to £2.74m., but the directors warn that there are few signs of a sustained improvement in the metal market and without this it will be difficult to maintain in the full year a profit level in line with that now shown.

Although tin smelting interests continue to be the major contributors to group profit the directors report a commendable improvement from metal trading activities, particularly the terminal market operations where both turnover and profit increased substantially.

The industrial companies show an encouraging advance although the results of steel service centres remain depressed in the current economic climate.

Turnover of the group (which is controlled by Patino NV) jumped from a restated £194m. to £207m. Providing tax of £1.13m. (£0.63m.) minorities £0.42m. (£0.23m.) and extraordinary debits of £1,000 (£854,000 credits), the net balance emerges at £1.13m. against £0.56m. Earnings per £1 share amounted to 18.4p compared with 2.8p, before the extraordinary items.

The directors point out that extraordinary items no longer include exchange differences and the 1976 figures have been adjusted to reflect this change. The directors feel it is not realistic to report such adjustments quarterly but these will be dealt with in the accounts for 1977 to be issued early in 1978.

For 1976 the group pre-tax profit totalled £7.9m. from which dividends of 14.157p were paid.

## ● comment

The quarterly profits from Amalgamated Metal are notoriously volatile and the first quarter should certainly not be taken as a good indication of what the rest of the year will bring. For the record, the first quarter rise is 157 per cent. but it is the trading side which is commended on its improvement by the chairman and this side is probably the most erratic profits contributor.

The recent set-back in metal prices could result in a less spectacular second quarter, while the moderate rate of growth in the world economy generally makes renewed strength in metal prices an unlikely prospect. However the shares have lagged behind the market rise since October and at 264p the well covered prospective yield of 9 per cent. now looks attractive.

# Uniflex turns in peak £0.5m.

FURNITURE MANUFACTURERS Uniflex Holdings improved its pre-tax profit from £0.49m. to a record £0.53m. for the year to January 31, 1977, after £0.23m. (£0.21m.) at halftime.

Year-end earnings per 10p share are shown to be up from 9.24p to 10.56p and the net dividend is 2.75p, compared with 2.5p—waivers amount to £24,317 (£25,815).

A provision of £27,588 has been made against an investment in a quoted company to write down its cost to the mid-market value at year-end.

| | 1976-77 £000 | 1975-76 £000 |
|---|---|---|
| Turnover | 15,244 | 8,473 |
| Pre-tax profit | 534 | 486 |
| Tax | 298 | 271 |
| Extraordinary debits | 27 | — |

# G. Whitehouse in profit at halfway

A turnround from a pre-tax loss of £135,000 to a profit of £31,000 is reported by George Whitehouse (Engineering) for the 28 weeks to January 1, 1977. The company made a profit of £18,000 in the second half of 1975/76 to finish the year with a loss of £107,000.

Dividends are resumed, after a break in 1975/76, with an interim of 0.1625p net per 10p share. Basic earnings are shown as 0.85p, against nil.

The company is a subsidiary of Midland Northern Trust, which holds 50.79 per cent. of the Ordinary.

George Whitehouse holds 10.2 per cent. of Centreway.

| | 28 wks. 1976 £000 | 1975 £000 | 53 wks. 1975-76 £000 |
|---|---|---|---|
| Turnover | 5,788 | 5,546 | 12,270 |
| Profit before tax | 31 | †135 | †107 |
| Taxation | — | 63 | 97 |
| Net profit | 31 | †98 | *10 |
| Extraord. credits | — | 84 | *128 |
| Making | 36 | †82 | †138 |

† Loss. * Debits.

# Hopeful outlook at Allebone

STRENUOUS EFFORTS have been made at shoe manufacturers and retailers Allebone and Sons to bring about a return to the levels of profitability achieved in ealier years, and Mr. Alan Allebone, the chairman, tells members in his annual statement that he is hopeful that the efforts are beginning to bear fruit.

As reported on April 30, pre-tax profits finished the year to end January down from £182,477 to £165,239 after a first half loss of £36,000 compared with profits of £133,000.

Mr. Allebone says the result reflects the substantial recovery of the second half (particularly by the retail division) but the overall level of profit remains unsatisfactory.

In the retail division the reorganisation began to take effect at the end of June from which date the level of sales showed a steady improvement.

Weather conditions contributed significantly to the year's trade and the clearance of substantially all of the summer footwear in the hot dry months was followed by wet, cold weather at just the right time to sell the major proportion of the winter lines.

During the year four small unprofitable shops were closed and one further unit was closed on the expiration of the lease. Six new shops were opened and five shops were re-located; in all cases each is performing as expected and should quickly make a contribution to profits. At the present time work is well advanced on four new shops which are expected to open shortly.

In the manufacturing division the dramatic fall-off in orders during the autumn of 1975 led to short-time working in the early part of 1976, and serious consideration was given to closing one of the division's two factories.

However, sufficient orders were obtained to enable both factories to continue in production and full-time working was restored and maintained throughout the rest of the year. A number of orders taken during the period carried below normal profit margins and were accepted only in order to enable reasonable production levels to be maintained.

The problems experienced during the year included those resulting from the absence of any positive fashion direction and the continually increasing cost of materials and components.

The position improved somewhat later in the year and the orders currently on hand should ensure a return to a reasonable level of profitability during the current six months. The division has been able to obtain significant export orders and it is hoped that this trade will form an increasingly important part of the group's activities.

A statement of source and application of funds shows an increase in bank overdrafts (net of cash balances) of £300,550 (£340,965).

Throgmorton Trust holds 8.64 per cent. of the equity.

Meeting, Kettering, on June 15, at noon.



Reports to meetings

# Fisons outlook encouraging

MR. G. V. BURTON, chairman of Fisons told members at the annual meeting yesterday that group prospects for the current year were reasonably encouraging.

He reported that unfavourable spring weather had to date adversely affected the agrochemical business in the U.K. and in other Northern European countries. For fertilisers the biggest single problem was the current unacceptably low margins which most of the U.K. fertiliser makers were facing. Unless fertiliser prices increase again and substantially, during the rest of 1977, a large part of the industry would face bleak prospects.

The chairman said that fortunately the group's balance is again its strength and with good trading, both at home and overseas, in pharmaceuticals, in scientific equipment and in horticulture, the prospects for the group as a whole for the year were reasonably encouraging.

Looking ahead Mr. Burton said that with the developed nations showing only a very slow pace of economic recovery the opportunities in the next decade probably lay more in territories such as South America, the Pacific Basin, South East Asia and the Middle East countries. In none of these areas—with the exception of India and Australia—is Fisons particularly well established. "Now we hope to ensure that the group is well positioned in what may prove to be the best opportunities in the next 10 years.

Extracts from chairmen's statements to other meetings yesterday are as follows:—

Associated Biscuit Manufacturers—Biscuit sales in the U.K. were showing a modest improvement, while exports showed a substantial increase. Margins remain under severe pressure, however, due to the effects of continually rising costs in an extremely price-sensitive market.

Martin-Black — U.K. management accounts for first quarter show disappointing results. Both home and export sales are below forecast and current order intake tonnages are not encouraging. In the offshore market there are fairly substantial tonnages of orders on hand, but a significant part of this business has been won at extremely competitive prices and margins will be poor. The company will be hard put to beat the 1976 result. If rate of ACT is reduced the total dividend for 1976 will be increased to the maximum permitted.

Reyertex Chemicals—The first months of 1977 have seen a continuation of the pattern of the latter part of last year. The volume of sales remains strong but there are still pressures on margins in certain weak sectors.

Although there are now signs that the economy is beginning to improve in the U.K., the group expects to have some difficulty in repeating 1976 profits. With strong sales base and widening product mix, however, the chairman remains confident of a strong resumption of growth when conditions allow.

# Swan Hunter's 3.5p second interim

THE NEXT accounts of Swan Hunter will cover the 18 months to June 30, 1977, and in view of this extension the directors intend to pay a second interim dividend of 3.5p net. A final will be proposed when the accounts are presented.

The second interim will bring the total so far up to 6.5p—the total for 1976 was 5.1922p.

The decision to extend the accounting period has been taken so that the group balance-sheet on June 30, 1977, will show the value and strength of that part of the group not affected by nationalisation and on which future development will be based. It will also show the net book value of those subsidiaries for which compensation will be receivable from British Shipbuilders after they have vested on July 1.

The profit and loss account for the 18 months will reflect the earnings during that period of those parts of the group not being nationalised, together with dividends received from subsidiaries which will be nationalised and whose loss of earnings in the period after July 1 will be exchanged initially by income from the compensation stock.

It is expected that negotiations will commence soon after vesting day to determine the value of the shares of the vesting subsidiaries. The directors intend to achieve for them a fair value according to the complex sections of the Act relating to compensation and hope that recourse to arbitration on all or part of the negotiations will not prove necessary.

The Board has appointed Mr. Anthony Wilson, a senior partner in London of Price Waterhouse and Co., to act as a stockholders' representative as defined in the Aircraft and Shipbuilding Industries Act, 1977, for the compensation negotiations.

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## HAW PAR

It is reported from Singapore that Haw Par Brothers International's holding in Haw Par (London) 4½ per cent. Convertible Redeemable guaranteed Preference shares of 20p has increased to 45.6 per cent. from 4.86 per cent.

This followed acceptances totalling 162,000 Convertible shares. The offer has now been extended until June 23, when it will close.

Last month Haw Par offered to acquire the remaining 12.45m. Convertible shares at 14.44p per share ex-dividend.

# A peek under the bonnet of the AA

BY CHRISTOPHER DUNN

E AA has a good name. Not does it look after the nded motorist; its judg-ts and statistics are sought powerful bodies like the ce of Fair Trading, the artment of Transport, New tland Yard and the BBC.

ut there has been persistent icism of the Association over last few years. The Associa-'s Committee—the AA ing body—has come under at its annual meetings, and lay's AGM, the 71st in the ociation's history, should be exception.

he main burden of criticism, prisingly, tends not to be ected at the basic business, ich is looking after the torist in trouble. There are fundamental facilities. For a year, the AA offers e akdown service, and for an er £6.50 a year, it promises complete your journey for through the Relay service. e legal advice over cars is own in too as a basic, and re is also a free legal fence scheme.

AA statistics underline the ength of this side of the siness. The 5m. members ve about 150 service centres, d over 806 roadside tele-ones to call on. With 2,700 trolmen, the AA claims it can ach any motorist within an ur.

## Convenient

Some members disagree, say-g that patrolmen do not rive within 60 minutes, if at l. Others feel that patrolmen e ill-equipped. There are otestations, too that the Relay rvice should take in accidents. But the scale of demand for e facilities as a whole suggests at motorists do find the rvice very convenient. Last ar calls for help totalled 2½m. ughly one for every two mem-ers. The Relay service, which as only started in 1973, now as about 2m. members.

The principal criticism is that he AA does not concentrate on ts basic strengths enough. It said that the current range f diversification activities has ken the AA too far away from s real role. Nor, it is alleged; does the AA actually run these new interests properly.

The spread of ancillary activities is certainly wide. There is an insurance side, taking in a comprehensive policy for householders; a travel division has 38 agencies in the U.K., and offers charter flights to North America, safaris in Africa, and beach holidays in Barbados; and a technical services side.

There is a very active pub-lishing department, which is split into two parts. On the one hand, the traditional publishing interests dealing with guides and maps are still going strong; on the other, the AA has a link-up with the Readers Digest through a jointly owned com-pany called Drive Publications.

The tie-up with Readers Digest started in the mid-sixties, when the Digest wanted to mar-ket a publication called Book of the Road to AA members through mail order.

The AA was astonished by the results of this, realised the value of its membership list and set up the deal with Readers Digest. It has gone further too. The AA now has its own mail order merchandising side, sell-ing a broad range of products related to motoring.

But there are losses in some of these new activities. In 1975, the AA wrote down its invest-ment in Thomas Cook substan-tially, and then sold the invest-ment. The insurance side, in spite of phenomenal growth since it was founded in the late '60s, is still making losses at trading level; these totalled £0.3m. in 1975 and 1976. Travel sales have also shown a lot of growth; but exhibit the same trend at trading level; 1975 trading losses were £181,000.

The fact that the AA opera-tion as a whole made losses in 1975 and 1974 of £4m., only returning to profit in 1976 to the tune of £700,000, lends cred-ence to the charges that the AA is badly run, especially since the subscription continues to rise. The basic of £10 compares with £4.50 in 1971.

The contrary argument is that without these ancillary activi-ties, the rate of increase in the subscription would have been even steeper. It takes about two years to recoup the benefit of a rise in subscription. At the same time costs increase in-exorably. In the last two years, expenditure has risen from £33m. to £51m.—an increase of 54 per cent.

It is possible to detect a coherent policy behind all the expansionary moves. Because of the sluggishness with which higher subscription income comes through, the AA has been seeking to increase the ways it can of generating cash.

## Cash flowing

At the most basic level, the strategy is to get the cash in from members as fast as pos-sible. Variable Amount Direct Debits have been introduced and membership can be in-stantly renewed through the National Giro.

The AA also keeps lots of cash in the balance sheet, and this provides it with a guaran-teed source of investment in-come, as a reserve against fluc-tuations in subscription income. In this context it is notable that in 1976 net cash balances moved ahead very sharply from £9.2m. to nearly £12m.

On a more progressive basis, the AA aims to boost its mem-bership as much as possible, to keep the cash coming in. Some of this is done through oppor-tunism. When British Leyland introduced its customer car warranty scheme "Supercover" part of this was a year's mem-bership of the AA for all buyers of new Leyland cars and vans, with favourable opportunities for renewal. The Association picked up over 300,000 new members that way.

In addition, the AA spends massively on marketing. In the last two years, it has spent an average of £0.4m. a year adver-tising itself. This compares with the £49,000 it was disbursing in 1970 and the £9,000 or so which the RAC spends.

The chart shows that member-ship is now starting to decline, without the benefits of additions like the BL "Supercover" deal. If the subscription level stabil-ised at the current rate, then the AA could begin to run down its cash balances shortly, especially bearing in mind that it is planning to spend heavily on re-equipment this year, and that investment income might be affected by repayment of a secured £1.5m. loan, borrowed at 7¼ per cent. Last year, its wages and national insurance contributions rose by 27 per cent. to £28m. and are now about 55 per cent. of total income.

So the commercial rationale behind the diversification moves is clear. The aim is to use the existing marketing structure—in this case the membership lists—as many times as possible, to encourage members to spend their surplus disposable income.

From its foundation in 1905, and its brushes with the Surrey police over speed traps, when it tried to protect mem-bers from the law, it has always been an outgoing and aggressive operation.

The RAC is not entirely com-parable because of its lack of diversification. True the RAC has a smaller membership—1.5m.—and it does reckon to give a more personal service. But even the RAC is beginning to broaden its range and it too has had to write off some recent ventures. Nostalgia for the good old days of British motoring may cloud the vision of some of the AA's critics.

## Constitution

The AA is run by a commit-tee comprising 16 members. The committee is elected at the annual general meeting. Any member who is nominated by 20 others has his name brought to the Committee for considera-tion to go forward for election. But the Committee can veto a nomination. All existing mem-bers were invited to join by the Committee itself and then bed their status confirmed at the annual general meeting.

A recent dispute over what powers members have at the annual meeting highlighted one important point, namely that the AA constitution is unclear. The then Director General was forced to clarify the position in a letter to the Sunday Tele-graph after an article on the subject.

The suspicion fostered by this imbroglio that the management structure of the AA has not evolved in line with the growth in the business is supported by two other pieces of data.

Recently the AA Committee introduced a "Vote for Change" for the AA staff which, if implemented, would have meant the abolition of the existing trade union negotiating mach-inery. The proposal was voted down by a substantial majority.

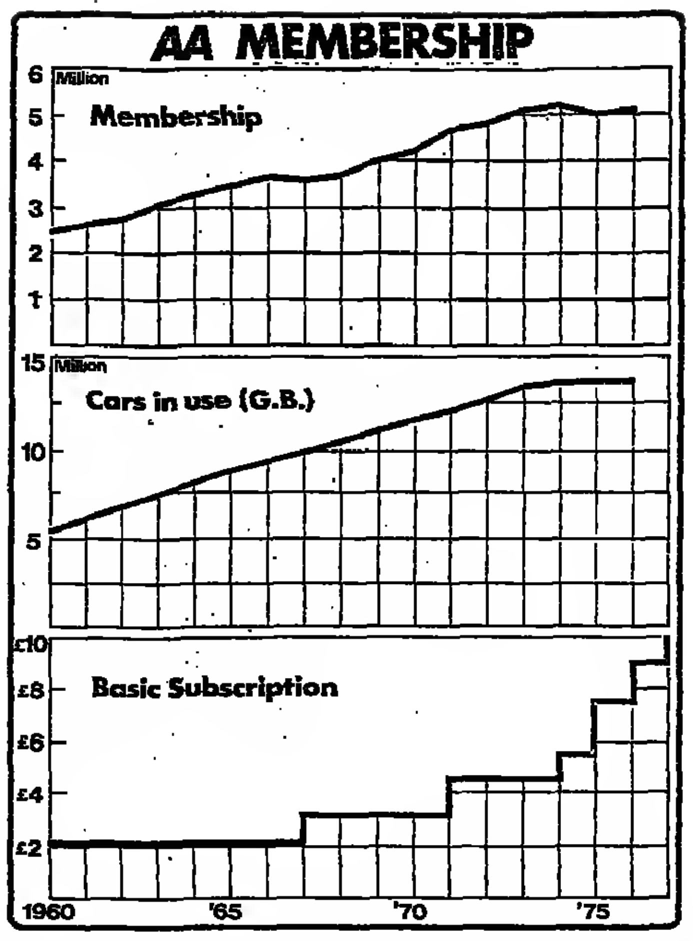
Second, and perhaps more important, the AA report is full of information concerning the motoring part of the business. But there is no detailed break-down of the profit and loss account into separate divisions.

This should be done if only because in the short term the members who take the loss-making insurance and travel facilities are being subsidised by those who do not.

But this contrast between a £50m. plus a year business and an archaic management struc-ture is typical of the contradic-tions which run through the AA. What does it exist for? To whom is it accountable? Plainly for the members, but should they be bombarded with mail shots? Does the AA really represent members' interests? It is voluble certainly, but to what real effect? Has the AA become in part a pressure group "opposing all reasonable con-trols on the car" as Sir Reg Goodwin, former chairman of the GLC alleges?

In the past, when motoring was an adventurous, rather law-less affair, the issues were clear-cut. The opportunity exists to redefine that *raison d'etre* now that there is a new Director General, Mr. Olaf Cambert and new Committee members like Sir Robert Mark recently retired, as Metropolitan Police Commissioner and Mr. Antony Leonard, former group treasurer of Shell, are assuming office.

In the meantime, the stranded motorist can rest assured that there is still some money in the kitty, and that the little yellow van will still appear over the brow of the hill when the tappets go.




## Advance Laundries looks for growth

In the current year the British ectric Traction Company sub-llary Advance Laundries must pend on retaining and expand-g existing business. This will t be easy but Mr. W. M. avers, the chairman, says in s annual review that he believes can be done.

He points out that much of the proved profitability in the last o years has come from re-ganisation and greater effi-ency. This exercise has now ded and no comparable benefit ll be available to boost the 977 results.

Apart from the direct invest-ents overseas, which have been nd still are a problem, there is small but growing demand for he provision of the company's ire services and management nd marketing know-how from verseas countries. Full advan-age is being taken of this emand and greater and more uccessful overseas growth may e achieved in this way, he adds.

As reported on May 10 taxable rofit for 1976 was ahead from 2.55m. to [illegible] on sales of 21.82m. (£18.18m.). The net ividend is lifted to 1.6581p 1.5074p) per 10p share. Net quid funds showed an increase f £0.94m. (£1m.) with bank over-drafts at year end lower at £1.47m. (£1.86m.) and deposits with holding company £0.9m. (£0.34m.).

During the year Advance Linen Services raised its charges to customers by an average of 8.4 per cent. compared with a rise in the cost of living of 13.6 per cent., and its profit rose 40 per cent. on sales up 13 per cent.

Losses continued overseas during the year but they were small in relation to group activi-ties and less than in 1975. Mr. Dravers comments that if the overseas companies can be made profitable in the near future it will be in the interests of stock-holders to have a foothold in a wider market than the U.K. alone.

Currently the signs are mildly encouraging but, as before, this position might not be maintained, he says. A provision of £0.2m. has been made in the 1976 accounts against possible invest-ment losses.

Meeting, Stratton House, W., on June 13 at noon.

## KLAMIX

Klamix of Redditch, whose parent company is Klaxon SA of France, has acquired Klaxon of Birmingham from GEI (Special Products).

## COMPANY NEWS IN BRIEF

ARTHUR BELL AND SONS—Results for 76 reported March 18 in full preliminary tement. Group fixed assets £15.54m. 1.73m.). Net current assets £23.95m. 8.52m.). Decrease in net liquid funds 3m. (£2.18m. increase). Meeting, rth, on June 16 at 12.15 p.m.

BRITISH BORNEO PETROLEUM NDICATE—Results year to March 31, 7, reported May 17. Investments 8m. (£2.26m.), net current liabilities 1 (assets £0.36m.). Decrease in work-capital £226,575 (increase £283,050). At il 20, Consolidated Gold Fields held 4 per cent. and Rothschild Investment 18.13 per cent. Meeting, Win-ster House, E.C., June 15 at noon.

BRITISH INDIAN TEA COMPANY LDINGS—Net revenue before tax 329 (£27,842) for 1976. Net revenue er tax £22,081 (£13,081). Final 3p net per share (2.5p), making total 5.5p (5p).

BRITISH INVESTMENT TRUST—Results year ended March 31, 1977, already wn. Quoted U.K. investments at market ue, £54.51m (£43.51.) and overseas 36m. (£37.38m.). Unquoted at directors' uation £2.28m. (£2.48m.). Decrease in idity £1.2m (£0.86m. increase). Meet-, Edinburgh, June 13 at 12.30 p.m.

JAMES BURROUGH—A second net in-im of 2.784p for the year ended ruary 28, 1977, makes total 3.9p 82p).

EDAR INVESTMENT TRUST—Gross ome, half-year ended March 31, 1977, £698,883 (£631,072). Net income 4,412 (£311,916) after tax £209,406 3,907). Net asset value 77.3p (67.0p).

CITY AND COMMERCIAL INVEST-ENT TRUST—Value of net assets in-ding investments at valuation at April 1977, £11.41m. (£11.8m. at January 31), net asset value per Capital share p (143½p).

CITY OF OXFORD INVESTMENT UST—Results for year to March 31 eady known. Investments £3.02m. 08m.). Current assets £208,897 ,037), liabilities £161,261 (£171,777). rease in liquidity £174,737 (£390,346 rease). Meeting, 41, Bishopsgate, on June 15 at 11.30 a.m.

JAMES CREAN—The directors state negative effects of decline of stout beer market in first part of current r are more than compensated for by formance in group's electrical iness. Taking year as a whole ected that profit of group will be ater than last year and they anticipate final dividend will be at least as great last year.

ESTATES AND AGENCY HOLDINGS—idend per 25p share for 1976 0.4125p 75p) net. Net rents receivable £89,242 ,497). Profit before tax £42,398 ,482). Taxation £23,437 (£21,547). Net fit £18,949 (£22,935). Surplus on free-l property sale £2,788 (£8,745 ciency) leaving £21,735 (£14,190). Profit ined £9,885 (£3,180). Earnings per e 0.770p (0.97p).

EVANS AND OWEN (department store) rnover, for six months to Septem-30, 1976, £471,583 (£383,901). Profit 5 (loss £968) before tax £1,009 (nil).

HOLYROOD RUBBER—Results for already known. Fixed assets, in-cluding investments, £542,336 (£495,208), net current assets £104,086 (£92,329). Work-ing capital up £39,214 (down £45,361). Harrisons and Crosfield holds 19.37 per cent., Harcros Investment Trust 17.41 per cent., GTS Syndicate 13.81 per cent. and Old Court Commodity Trust 9.29 per cent. Chairman says satisfactory re-sults expected for current year. Meet-ing, 1-4, Great Tower Street, EC, June 13. 12.30 p.m.

INDEPENDENT INVESTMENT COM-PANY—Gross revenue for six months ended December 31, 1976, £45,604 (£45,198). Revenue £40,674 (£39,174), before tax £15,278 (£14,185).

L. LIPTON (fork lift truck hire, etc.)—Results, for 1976, reported May 17. Fixed assets £3.32m. (£2.3m.), net current liabilities £0.41m. (assets £0.2m.). Decrease in working capital £0.59m. (£0.05m.). At year end bank overdrafts were £0.82m. (£0.42m.). SGB Investments holds 19.24 per cent. interest. Meeting, Gerrards Cross, June 17, 2.30 p.m.

F. MILLER (TEXTILES) (Children's and ladies' wear manufacturer)—Results for year ended February 13, 1977, reported April 2. Fixed assets £0.81m. (£0.34m.) and net current assets £1.49m. (£1.58m.). Net liquid funds showed an increase of £50,534 (£0.61m.). The directors say that current year has started well and they are looking forward to utilising extension to the company's factory in the second half. Meeting, Glasgow, June 9 at noon.

PORTSMOUTH WATER COMPANY—Directors anticipate new source develop-ment in current year of £50,000, a reser-voir £153,000, trunk mains £293,000 and distribution mains £300,000. Meeting, Havant, Hants., June 16, noon.

SUNDERLAND AND SOUTH SHIELDS WATER—Profit £1,671,151 for 15 months to March 31, 1977 (£944,625 for previous 12 month) before tax £496,156 (£263,329). As full year dividend already been paid there is no final.

THIRD MILE INVESTMENT COM-PANY—No dividend (same) for 1976. Turnover £181,389. Profit £7,219 after tax £8,257. Profit attributable £4,361. Earn-ings per 25p share 6.15p. Results exclude written down portfolio losses of £55,988. Board anticipates consideration of an interim dividend for current year when half-time results are announced.

VIKING RESOURCES TRUST—Results for 1976 reported April 27, 1977. Invest-ments at valuation £12.96m. (£10.79m.), net current liabilities £123,322 (assets £95,595). Decrease in liquidity £922,210 (increase £333,731). Meeting, Great Eastern Hotel, E.C., June 15, at 12.15 p.m.

WEBSTERS PUBLICATIONS (printers and publishers)—Board proposes to change year-end from September 30 to Decem-ber 31 commencing 1977.

BEN WILLIAMS AND CO.—Turnover £1.38m. (£1.43m.) for 1976. Interest £28,227 (£28,343), pre-tax loss £13,375 (profit £18,977). Tax credit £6,523 (debit £9,324). No dividend (0.5p net).

WILSHAW SECURITIES—Turnover as adjusted for work in progress for 28 weeks to January 31, 1977, £389,709 (£364,823). Profit £44,644 (£17,467) after all charges and depreciation.

MINING NEWS

# Rising cost of RTZ's Rossing uranium

BY KENNETH MARSTON, MINING EDITOR

THE technically-troubled and politically-controversial £120m. uranium mine at Rossing in South West Africa (Namibia) in which Rio Tinto-Zinc has a beneficial 43.5 per cent. interest will have suffered additional running-in costs of around £20m. by June 30 next.

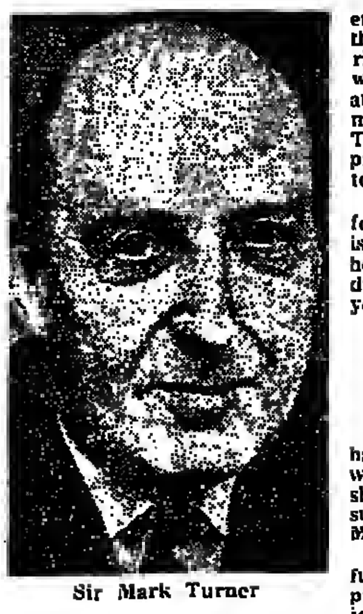
It is hoped that full commissioning will have been achieved by mid-1978, but the further capital required for this will depend on the speed at which production can be increased. Discussions with the venture's shareholders are being initiated to see how best the extra money can be provided.

Stating this at yesterday's RTZ meeting, the chairman, Sir Mark Turner, disclosed that apart from plant design weaknesses, Rossing suffers from the highly abrasive quality of its ore, the significance of which surprisingly was not apparent at the pilot plant stage. However, he is satisfied that even at the highest level of capital envisaged for the venture, its profit flow "will remain satisfactory."

Once again, he faced the usual criticism for operating a mine in a territory which, it was claimed, is illegally administered by South Africa. Sir Mark repeated his view that the United Nations' resolution on the independent status of the country was not a Security Council condition and not mandatory, nor was it accepted by the U.K. Government.

He accepted criticism of "appalling" housing conditions at Rossing and said that they were being rectified. He did not, however, agree that the mining venture should not have been started: "We are creating a source of wealth for this emergent country." He added that no approach had been made to the company by the Namibian SWAPO nationalist organisation but that it would be willing to talk to SWAPO.

"All we wish to see is a properly elected Government in Namibia."



Sir Mark Turner

### Expansion

Commenting on RTZ's expansion in its world-wide activities, Sir Mark pointed out that the Hamersley Australian iron ore capacity increase of 6m. tonnes will cost around $375m. (£218m.) and is due to come on stream in 1979. Arrangements have been already made for the major part of the finance required.

The feasibility is being examined of building a new primary aluminium plant at Gladstone in Queensland: Conzinc Riotinto of Australia hopes to attract Japanese customers and finance for the Hail Creek coking coal venture in which it has a 31 per cent. stake: while in Canada the $C176m. (£97.3m.) uranium expansion at Elliot Lake is going ahead and a decision is expected later this year on whether to mine Brinco's Kitts-Michelin uranium deposit in Labrador.

Sir Mark made no forecast of RTZ's result for the current year. So much depends on the course of base-metal prices which are looking very uncertain at the moment: "the world is, I think, still waiting to see whether the signs of recovery that are beginning to show themselves in the United States will be reflected in similar developments in Western Europe and the Far East."

Even so, there is no doubt that RTZ is going to have another good year. In London yesterday the shares close 8p higher at 231p (the year's high was 247p) in line with the general U.K. industrial market trend, in view of the company's rising income from other sources. The shares are no longer considered as a "copper" issue and may come to be regarded more as an "energy" stock. Now exempted from UK dividend control, they also compare with the other international resource stocks.

### GOLD OUTPUT SLIPS AGAIN

The anticipated increase in South African gold output has so far failed to take place. Mine production during April was 7,981 ounces less than in March at 1,538,574 ounces, the latest figures from the Chamber of Mines reveal.

It had been assumed that once the mines had overcome the labour shortages apparent at the end of 1976 and the beginning of this year, output would start to rise. This occurred in March when the decline in output was arrested after five successive months of decreasing production. The Chamber has adjusted March production from 1,563,116 ounces to 1,566,935 ounces.

The cumulative production total for the first four months of 1977 is 7,199,767 ounces and thus lags behind the 7,333,739 ounces produced in the same period last year.

### QUEBEC CARTIER SELLS SHARES

Canadian financial institutions have bought $210m. (£122.2m.) worth of redeemable preferred shares offered by the U.S. Steel subsidiary, Quebec Cartier Mining.

Quebec Cartier plans to use the funds to reduce borrowings and provide funds for capital spending at the Mount Wright mine and Fire Lake iron ore projects.

At the end of 1975 production began at the Mount Wright mine, which, after a $700m. programme, has a production capacity of 18m. tons of concentrates a year.

At Fire Lake, Quebec Cartier is the manager with an 8.23 per cent. stake of the Sidbec-Normines venture which brings together the Quebec Government-owned Sidbec with 50.1 per cent. and British Steel Corporation with 41.67 per cent. interests.

At a cost of $500m. the project envisages ore production of 14m. tons a year. BSC has a contract to take half the mine's production in pellet form and the first shipment is expected at the end of this year or the beginning of 1978.

### TECK DRILLS AT TIMMINS

Drilling at the nickel-copper prospect near Timmins in Ontario, owned by a consortium of Teck Corporation of Canada, Metallgesellschaft of Germany and Dowa Explorations of Japan, has indicated 4m. tons of ore, grading 1.44 per cent. nickel and 0.68 per cent. copper to a depth of 1,150 feet.

The results were revealed in the Teck half-yearly report, which adds that additional drilling will be needed to define the reserves more closely and test for extensions at depth.

At present engineering work is taking place, prior to a feasibility study, but in February this year, the Teck president, Dr. Norman Keevil, was already suggesting that results "indicate a high probability that this deposit can be developed into a new mine."

BIDS AND DEALS

# Ocean Transport drops Hay's Wharf bid

Ocean Transport and Trading has abandoned its £22.3m. bid for Proprietors of Hay's Wharf, which was conditional on the approval of the Hay's Wharf Board, as it has proved "impossible to find a basis for agreement."

The Ocean offer has also met opposition from the main shareholder in Hay's Wharf, the Kuwait Investment Office, with its 34 per cent. holding.

News of the collapse of talks brought a sharp fall yesterday in the share price of Hay's Wharf, which finished 26p lower at 145p. This compares with the conditional 135p a share cash offer made by Ocean and a share exchange offer which would have been worth 161p with Ocean rising 6p to 176p yesterday.

When Ocean made its offer on April 23 its shares stood at 145p which valued Hay's Wharf at some 30 per cent. above the pre-bid price; Hay's Wharf had been as low as 49p as recently as last October—a 10-year low.

### LYON & LYON

At the annual meeting of Lyon and Lyon, reference was made to the bid by Clyde Petroleum.

It was stated that when the formal offer document is published the Board and its financial advisers will reconsider the terms and will then write to shareholders.

The Board unanimously agrees that the offer of 50p per share is inadequate and that a take-over by Clyde would not be in the interests of employees, suppliers or customers. The Board does not believe that Clyde's activities are compatible with those of Lyon and Lyon.

### STOREY BROTHERS TALKS END

Storey Brothers announces that the discussions announced on May 10, which might have led to an offer being made for the capital, have terminated as agreement has not been reached. The Board has been advised by Morgan Grenfell.

### ASSOCIATE DEALS

Kitkat and Aitken purchased on May 20 on behalf of Selukwe Gold Mining and Finance Company, 5,000 shares in Kadana Syndicate at 12p and 3,000 at 12½p.

On May 23, Grieveson, Grant, associates of Allen Harvey and Ross, bought 10,000 shares at 410p and sold 12,760 at 410p and 10,000 at 409p.

### GKN ACQUISITION

GKN Distributors has acquired the capital of South London Pistons.

This acquisition will complement the existing activities of GKN Distributors' automotive divisions, which is actively engaged in the distribution of vehicle replacement parts and car accessories.

### MITCHELL SOMERS OFFER TO WOLVERHAMPTON

Market hopes for Wolverhampton Die Casting, which last week announced that it was in bid talks, received a sharp knock yesterday with the news that Mitchell Somers, the previously unnamed bidder, was offering 24p a share cash worth £1.1m. against a price of 27p in the market or a share exchange worth 22p, in a recommended bid.

The directors of WDC, advised by Kleinwort Benson which have pledged their 21.2 per cent. stake, have signed irrevocable acceptances in their own 8 per cent. holdings.

In its last accounts WDC showed net assets of £1.65m. and pre-tax profits of £0.4m. In its first six months it reported pre-tax profits of £141,000 compared with £137,000 but commented that in view of the flat market for its products and margin pressures, the Board had deferred decision on any dividend increase.

The price agreed by the WDC Board implies that business has not gone too well in the second half of the year: this will presumably be spelt out in the offer document to be issued shortly.

The offer by Mitchell Somers, advised by Keyser Ullman, is 24p in cash or 5 shares in MS for every 8 shares in WDC.

### LIGHTING AND LEISURE

Baring Brothers and Co. has posted the offer documents in connection with its recommended cash offers on behalf of Mann Egerton for Lighting and Leisure Industries.

### ADAMS FOODS

The document containing the proposals for the acquisition by the Irish Dairy Board of the 16.2 per cent. of the Ordinary shares in Adams Foods which it does not already own and for the cancellation of the 15 per cent. convertible unsecured loan stock, 1981-83 in Adams has been posted.

### UTD. GAS SALE

United Gas Industries has sold its shares in Graves Gauge Grinding (Precision) Company to Thomas Whittington and Sons.

## Artac forms subsidiary

ARTAC AIRCHARTERING, air cargo charter brokers, has formed a subsidiary, Artac Freight Forwarding, to offer specific route consolidation services, warehousing, documentation and a collection and delivery service to the Heathrow, Gatwick and Stansted airports.

SHARE DISCLOSURES

Marley—P. Wilson, director, has disposed of 10,000 shares.

Property Security Investment Trust—H. L. S. Dibley, director, has sold 1,000 shares at 21p.

Campari—Mr. G. K. Benscher and Mr. H. H. Lipton, directors, on Friday each sold 25,000 shares at 64½p.

Crosby House Group—Mr. D. A. Neale, director, has acquired a beneficial interest in a further 250 4.9 per cent. Preferred shares, making a total interest of 425.

Fairdale Textiles—Evergood Investments are beneficial owners of 235,000 shares (more than 5 per cent.).

London and European Group—Strabul Nominees hold as nominee for a Swiss bank 924,554 shares (9.99 per cent.).

Alpine Soft Drinks—M and G Endowment and Pensions Assurance Company on May 16 sold 10,000 shares leaving holding 290,000 in name of M and G Group (Lombard Street) Nominees "K" a/c.

NSS Newsagents—P. E. White, director, sold 1,440 shares on May 19.

Tern Consulate—Mr. M. R. Lawson, director, sold 6,000 shares, leaving his holding at 179,300 (12.5 per cent.).

P and O—Mr. D. D. Brown, director, on May 9 sold £2,000 Deferred stock at 143½p.

Richard Clay and Co.—Mr. J. M. Clay has sold 5,000 shares.

Winstoo Estates—Mr. L. S. Passmore, a director, has acquired 5,238 shares. Mr. P. T. D. Guyer, director, has acquired 2,000 shares jointly with his married daughter. Mr. D. R. Poole, director, has acquired 2,000 shares.

Jokai Tea Holdings—Longbourne Holdings has bought a further 8,500 Ordinary, making a total of 450,000 (21.54 per cent.) and 28,850 Preference shares (19.23 per cent.).

Guest Keen and Nettlefolds—Mr. L. F. Donald, director, notified that a trust, of which he is one of the trustees, has disposed of 2500,000 6¼ per cent. Unsecured Loan stock.

Automated Security (Holdings)—Rights and Issue Investment Trust disposed of 125,000 shares reducing its holding to 425,000 shares (less than 5 per cent.).

C. R. Downing and Co.—Pearl Assurance Co. holds 171,500 shares.

APV Holdings—R. M. Seligman, director, on April 28 sold 3,000 shares at £4.

UKO International—Mr. F. M. Wiseman and Mr. J. M. Wiseman, directors, sold 1,500 shares, held as trustees in a joint account, on May 19.

British Industrial Holdings—Mr. Morris Saady is the beneficial owner of 565,035 shares and controls a further 148,103 shares.

Vantage Securities—Mr. G. W. Pilkington, director, acquired on May 6, 1,000 shares, making a total notifiable interest of 141,775 shares (4.73 per cent.).

Anglo African Finance Co.—Ace Investment Company has bought a further 15,000 shares, making a total of 4,551,590.

Harrisons Malaysian Estates—Kien Huat Realty SDN BHD, as a result of the allotment of 348,316 shares, amended interest is 20,081,611 shares.

Golden Hope Plantations—Kien Huat Realty SDN Bhd, as a result of the allotment of 20,081,611 shares in Harrisons Malaysian Estates in respect of a holding of 11,517,299 shares in Golden Hope Plantations, is no longer interested in any shares in the company.

On May 20 Harrisons Malaysian Estates acquired 481,450 shares under the offer dated January 17, 1977 thereby increasing its interest to 48,574,225 shares (95.55 per cent.).

Pataling Rubber Estates—On 20 May Harrisons Malaysian Estates acquired 480,963 shares under the offer dated January 17, 1977, thereby increasing its interest to 94.84 per cent.

Hampton Gold Mining Areas—Kingside Investment Company is beneficial owner of 335,000 shares (8.46 per cent.).

Joseph Stocks and Sons (Holdings)—The TTC Pension Trust jointly with the PITC Pension Investments hold 75,000 shares.

Bogg Robinson Group—Kuwait Investment Office has an interest in 1,746,000 shares (17.55 per cent.).

Bernard Matthews—Dr. A. M. McFarquhar, director, acquired 1,000 shares as of May 18.

Rowntree Mackintosh—Trustees of the Joseph Rowntree Memorial Trust have disposed of 25,000 shares at 230p and 28,386 shares at 238p. They are now interested in 4,400,000 shares (10.18 per cent.). Chairman Sir Donald Barron, is a trustee.

William Mallinson and Denny Mott: Mr. J. G. Dyke, director, disposed of five shares at 44p on May 19.

P. and W. Maclellan: Mr. J. R. Thomson, director, bought 3,000 shares. Mr. D. G. Moodie, director, bought 25,000. Mr. Moodie holds more than 5 per cent.

Avana Group: Sir Julian Hodge has bought 50,000 shares to increase his beneficial holding to 232,000 shares.

Southampton Isle of Wight and South of England Royal Mail Steam Packet: Mr. J. W. Thornycroft and Mr. T. E. P. Thornycroft, directors, sold 500 shares on May 20 at £2. The holding registered in names of J. W. Thornycroft, Captain G. E. T. Eyston and Mr. T. E. P. Thornycroft ("C" account) which is a non-beneficial interest of those directors.

English and Caledonian Investment Company: Lord Rotherwick, a director, sold in assented form 55,600 shares on May 19. These were made up of 41,200 being his non-beneficial holding and 14,400 sold by the trustees of a settlement in favour of Lady Rotherwick and which were included in his beneficial holding. This leaves a beneficial holding of 8,000 shares.

Melody Mills: 20,000 shares registered in the names of Mr. Charles Rubens and Mr. W. T. Meight have been sold. These were part of the family trusts of director Mr. P. H. J. Byk held by Mr. Rubens and Mr. Meigh as trustees with no beneficial interest.

# F. Sumner rises to over £1m.

AFTER a mid-way advance of £196,669 Francis Sumner (Holdings) ended 1976 with pre-tax profits almost doubled from a depressed £538,578 to £1.09m. on sales up at £16.53m. against £13.53m.

The directors say that the group, as a whole, traded in 1976 at a "more acceptable level" and that some loss-making activities of a subsidiary had now been discontinued.

External sales for the first four months of 1977 show a considerable increase on last year, they say, and the group's order book is up and satisfactory.

Profits for the same period show a 24 per cent. increase on 1976.

The directors feel confident that the group is well disposed to take maximum advantage of any upturn in the economy and are encouraged to look forward to another successful year.

Earnings per 10p share are shown to be up from 1.21p to 4.11p and the dividend is lifted to 0.773p (0.7027p), the maximum allowed, with a final of 0.273p net. Also proposed is a one-for-ten scrip issue.

There was an extraordinary debit of £146,627 for 1976 which included the closure costs of subsidiary, Rapid Access Systems, and the full provision for the losses made in another subsidiary. The directors do not expect that any further losses will occur.

No provision has been made for the contingent liability for deferred taxation resulting from stock relief. Shareholders' funds at December 31, 1976, were increased by some £380,000, including a prior year adjustment of £487,000.

The company interests include textiles, engineering, plastics, offshore engineering services.

| | 1976 | 1975 |
|---|---|---|
| | £ | £ |
| Turnover | 16,537,749 | 13,533,961 |
| Trading profit | 1,442,987 | 985,078 |
| Depreciation | 301,119 | 287,507 |
| Net interest payable | 138,129 | 160,093 |
| Profit before taxation | 1,089,746 | 538,578 |
| Taxation | 181,676 | 272,047 |
| Net profit | 834,678 | 256,581 |
| Extraordinary debit | 146,627 | *14,587 |
| Making | 773,051 | 280,318 |
| Minority interests | 14,640 | 12,578 |
| Attributable | 763,411 | 252,840 |
| Ord. dividends: | | |
| Interim | 118,722 | 77,890 |
| Final | 68,454 | 78,114 |
| Retained | 582,235 | 127,321 |

* Credit.

and Co. (Sales), Roy Blumenthal Associates, Quenito, Dareborough, Grancombe Developments.

Sta-Power (U.K.), West and Co. Nurseryman, Druco Building, Tadley Plastics, Kirkshire, The Bricket Wood Pharmacy.

A compulsory winding up order made against Ferndem Contractors on May 3 has been rescinded. The judge was told that the company was already in voluntary liquidation when the petition was presented.

## 42 companies wound up

Orders for the compulsory winding up of 42 companies have been made by Mr. Justice Brightman in the High Court. They were:—

Chesterfield Industrial Cleaners, Seabow Transport, Tatoslan (Builders), Paverlay 80, OPM (Knitting), Rowland Harman, Hotel (Torquay), San Remo MDK Parking (G.B.), Provan Developments, Hadleigh Fashions, Groeville, Calistar, Barke Brothers (Civil Engineering Contractors), Beam Heat, Go-Slim, Chinese Restaurant, Mistlefine, Mervian Automation, Mersey Laminates (G.R.P.), Norman Jones (Plant Installations), Nuhtonlodge.

O'Leary and Greenwood, E. R. Haworth Homes, Team Properties (Holdings), Syncape, Deery and Mulvaney Construction, Simcal, Ral Industries, Hampshire Boneless Meat Company.

Blaidvale, D. G. Ramage and Son, Jedwin Securities, A. Nugent

## Second half recovery by Fairdale

AFTER FALLING from £160,500 to £127,412 in the first half, pre-tax profits of Fairdale Textiles recovered strongly in the second half to January 29, 1977, and finished the year ahead from £335,030 to £407,860. Turnover was £4.78m. compared with £3m.

After tax up from £157,808 to £221,840, earnings are shown to have risen from 2.39p to 3.04p per 5p share and the dividend is lifted from 0.945p to 1.039p net with a final of 0.739p.

## Scottish Mortgage sees small increase

Present estimates indicate a modest increase in earnings by the Scottish Mortgage and Trust Company in the current year, says Mr. T. R. Macgregor, the chairman, in his annual review.

If, however, funds were moved for policy reasons from British Government stocks to other forms of investment such as U.K. equities, the outlook for earnings would be less favourable. On the other hand income from both domestic and foreign equities is likely to rise, he states.

In any event, subject to totally unforeseen circumstances, the directors are confident of at least maintaining the increased rate of dividend of 3p (2.4p) per 25p share. An increase from 0.9p to 1.3p in the interim dividend is planned to reduce disparity.

Borrowings now arranged as a five-year loan amounting to $9m. have replaced sales of premium currency of $6.75m. and surrenders of $2.25m. following concern at the high level of the premium. The proceeds have been invested in the U.S. mainly in deposits whose high yields offset the impact on earnings of the interest payable on the new borrowings. At year end some 25 per cent. of foreign assets were held in loan accounts and 75 per cent. in premium accounts.

On the whole the directors think that the basic strength of the American economy, and of the American currency in terms of sterling, is sufficient to justify a large investment there, particularly at a time when stocks appear to be reasonably priced in terms of prospective earnings. At March 31, 34 per cent. of assets were invested in the U.S., compared with 28.5 per cent. in U.K. equities.

MONEY MARKET

# Very large assistance

Bank of England Minimum Lending Rate 8 per cent. (since May 12, 1977)

Day-to-day credit was in short supply in the London money market yesterday and the authorities gave assistance by buying a very large amount of Treasury bills from the discount houses. Banks carried forward surplus balances from Monday, but this was outweighed by a net market take-up of Treasury bills, a modest increase in the note circulation, and a substantial excess of revenue payments to the Exchequer over Goverment disbursements.

Discount houses paid about 6½ per cent. for secured call loans in the early part, and closing balances were taken at 7-8 per cent.

In the interbank market overnight loans opened at 6¼-6½ per cent., rose to 7¼-7½ per cent., before easing to 6¾-7 per cent., but increasing at the close to 8-8½ per cent.

Short-term fixed period interest rates remained steady, with discount houses buying rates for three-month Treasury bills closing at 7⅛ per cent., compared with 7⅛-7³⁄₁₆ per cent. on Monday.

Rates in the table below are nominal in some cases.

| May 24 1977 | Sterling Certificates of deposits | Interbank | Local Authority deposit* | Local Auth. negotiable bonds | Finance House Deposit | Company deposits | Discount market deposits | Treasury bills ф | Eligible Bank Bills ф | Fine Trade Bills ф |
|---|---|---|---|---|---|---|---|---|---|---|
| Overnight | — | 8¼-8½ | — | — | — | 7⅛ | 8½-8 | — | — | — |
| 2 days notice | — | — | 6¾-6⅞ | — | — | — | — | — | — | — |
| 7 days or 7 days notice | — | 7⅛-7⅝ | 7 | — | 7⅛-7¾ | 7½ | 7-7¼ | — | — | — |
| One month | 7½-7⅜ | 7⁷⁄₁₆-7½ | 7⅛-7¼ | 8½-8 | 7⁹⁄₁₆-7¾ | 8 | 7⅛-7¼ | 7⅜-7⁵⁄₁₆ | 7⁷⁄₁₆ | 8¼ |
| Two months | 7½-7⅜ | 7⅝-7⅝ | — | 8⅛-7⅞ | 7⅞-8 | — | 7⅛-7¼ | 7½ | 7⅞ | 8¼ |
| Three months | 7⅜-7½ | 7⁷⁄₁₆-7⁹⁄₁₆ | 7⅝-7½ | 8¼-7¾ | 7¾-8⅛ | — | 7⅛-7¼ | 7⅛ | 7⁵⁄₁₆-7⁷⁄₁₆ | 8¼ |
| Six months | 8⅛-7⅞ | 8-8¼ | 8-8¼ | 8¼-7¾ | 8-8¾ | — | — | — | 7¾-7⅞ | 8⅛-8½ |
| Nine months | 8⅜-8⅝ | 8⅞-8½ | — | 9-8½ | 8⅝-9¼ | — | — | — | — | — |
| One year | 8¼-8⅝ | 8⁹⁄₁₆-9⅛ | 9-8⅝ | 8½-8⅞ | 9⅛-9¾ | — | — | — | — | — |
| Two years | — | — | 10¾ | — | — | — | — | — | — | — |

Local authorities and finance houses seven days' notice, others seven days' fixed. * Longer-term local authority mortgage rates nominally three years 12 per cent.; four years 12¼-12½ per cent.; five years 12½-12¹⁵⁄₁₆ per cent. ф Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 7¹⁷⁄₃₂-7¾ per cent.; four-month trade bills 8¼-8½ per cent.

Approximate selling rate for one-month Treasury bills 7¹³⁄₁₆-7⁷⁄₃₂ per cent.; two-month 7⁹⁄₃₂ per cent.; and three-month 7¹⁄₁₆-7⁹⁄₃₂ per cent. Approximate selling rate for one-month bank bills 7³⁄₁₆ per cent.; two-month 7⁵⁄₁₆ per cent.; and three-month 7¹¹⁄₃₂-7⁵⁄₁₆ per cent.; one-month trade bills 8¼ per cent.; two-month 8¼ per cent.; and also three-month 8¼ per cent. Deposit Rates for small sums at seven days' notice 4 per cent. Clearing Bank Base Rate for lending 8¼ per cent. Treasury Bills: Average tender rates of discount 7.3445 per cent.

HOME NEWS

# Asbestos stand-ins may also be unsafe

GLASS fibres and other substitutes for asbestos may carry some of the same health risks, according to Dr. Georgina Jolliffe and Professor Edward Shellard of the Department of Pharmacognosy at Chelsea College, Londoo.

They said in evidence to the Government advisory committee on asbestos that studies at the College showed the dust from a number of industrial glass fibres could contain fragments in the same size range as asbestos dust.

There is mounting evidence that it is the size and structure of the microscopic asbesto fibres which leads to disease rather than their chemical properties. These include lung cancer and mesothelioma, a rare but lethal cancer of the lining of the chest cavity.

Animal studies have shown that glass wool, glass fibre, and other synthetic mineral wools can produce tumours — although this work is open to criticism.

Dr. Jolliffe and Prof. Shellard said with the dusts they examined "the presence of so many fragments within the size ranges reported to produca mesotheliomas with asbestoa gave rise to the disquieting thought that they could cause mesothelioma if inhaled."

Tumours from such fibres might take a long time to show up. For asbestos, it could take 10 years for lung cancer to show, and up to 50 years for some cases of mesothelioma.

## Warning

"As these substances have only been in widespread use for approximately the last decade, it is not surprising that little disease due to them has actually been reported."

But the existing animal studies should be warning enough. "Fibrous glass should be handled as carefully as asbestos and the same protective measures applied to its use."

In industry that did not appear to be the case, and workers might be switching from using asbestos, over which stringent controls are demanded, to fibres classified simply as "nuisances."

Their evidence was published with a number of submissions to the advisory committee, to-day by the Health and Safety Executive, which set the committee up.

Public hearings on the evidence will be held next month.

Dr. Jolliffe and Prof. Shellard asked the committee to recommend legislation to ensure precautions were taken with substitues for aabestos "so that the national Press, industrial literature and scientific literature of the decades to come will not have to reiterate the tragic story of aabestos."

# EEC freedom for insurance brokers urged

BY ERIC SHORT

THE need to carry into law the intermediaries' directive allowing insurance brokers freedom of operation within the EEC was emphasised yesterday by Mr. Francis Perkins, outgoing president of the Corporation of Insurance Brokers.

This was at present transitional, but in due course full co-ordination of the laws affecting insurance intermediaries was intended, he told the corporation's annual meeting in London. An EEC committee had sat in London to try to co-ordinate varying regulations.

In this respect, Mr. Perkins thought that the regulations set out in the Insurance (Registration) Bill would serve as a precedent and that the views of this committee when co-ordinated would be submitted to the EEC for its consideration.

He had been appointed chairman of the European committee of the Bureau Internationale des Producteurs d'Assurances et de Réassurances — the worldwide association of insurance broking organisations.

Merging of the four professional bodies representing insurance brokers in the U.K. was essential even if the present Registration Bill failed to become law.

The insurance intermediary in the present age of consumerism could protect only himself and the public be served by moving towards total professionalism.

Establishment of the British Insurance Brokers' Association would provide a unified voice to speak to the Goverment, political parties, trade unions and other parts of the insurance industry. Members had by no means heard the last of proposals for nationalisation of insurance.

Mr. Perkins rejected claims made by opponents of registration. He reassured members that the proposals would not lead to a closed shop, which had been feared, neither would the proposed registration committee be dominated by larger brokers.

In his experience, the smaller broker in the past had never failed to express his views and never failed to get them heard.

The alternative to self-registration would be the Government's imposing its own style of regulation on the industry.

Mr. Norman Frizzell was elected president.

## Barclays' chief to head talks

MR. ANTHONY TUKE, chairman of Barclays Bank, has been elected president of the International Monetary Conference, a gathering of 112 chairmen and presidents of major world banks which meets once a year.

# Councils' structure attacked as 'too remote, wasteful'

COUNTY COUNCILS are too large and remote, the Association of District Councils argues in a memorandum of observations on the Government's consultative document on English devolution.

It claims that urgent changes are needed within the local government structure to reduce wastefulness through duplication and the overlapping of services.

The association, which represents more than 300 district councils in England and Wales, says that decision-making should be concentrated in the authority closest to the public.

"Many district councils are denied functions for which they have adequate resources to discharge."

It attacks the "remoteness from democratic control" of main services significant to local communities. District councils should be responsible for personal social services, non-strategic planning, highways and traffic management, car parks, libraries, consumer protection services and refuse disposal.

The decision to confer not necessarily wide responsibilities on county councils was a big factor in the present "uncertainty and frustration" felt by members and officers of district councils which was "a serious handicap in dealing with local problems."

Some services had to be made more "sensitive and responsive to local wishes and needs."

## Beatties biscuit factory to close

RANKS HOVIS McDougall is to close its Beatties biscuit factory at Drumchapel, Glasgow, with the loss of nearly 600 jobs.

The closure on August 5 comes after an unsuccessful application by the company at its unions' request for the Government's temporary employment subsidy.

Ranks, which took over Beatties in 1966, had said that, if the unions could not suggest any viable alternative, the plant would have to close.

The factory, the largest biscuit manufacturer in the west of Scotland had been losing an average £250,000 over each of the last four years.

## Chemicals 5% growth forecast

By James McDonald

U.K. CHEMICALS' industry growth rate this year will be between 5 per cent. and 6½ per cent., and will continue at an above average rate until 1979, after which it will slow, a survey published to-day by Jordan Dataquest, suggests.

The industry earned a record surplus last year with exports, at £3.05bn., exceeding imports by more than £1bn. according to the Chemical Industries Association.

The survey examines industrial chemicals and the accounts of 262 companies. The main financial part of the survey produces data on each company under the following heads: sales; exports; profits; number of employees; wage bills; net fixed assets; current assets; current liabilities; bank borrowings and ownership categories.

For the largest 50 companies in the U.K., data is collected for the last four years filed, and statistics, including major shareholders and other interests of directors, are included.

Growth rates are forecast for individual sub-sectors, such as pharmaceuticals, pesticides, plastics and resin.

*The Industrial Chemicals Industry, Jordan Dataquest, 47 Brunswick Place, London, N.1. —£60.*

## Ferry service strengthened

By Our Shipping Correspondent

Ferry services between the South West and Brittany were strengthened yesterday with the introduction of the Cornouailles, which will operates between Plymouth and Roscoff on the North Brittany coast.

The ferry will take up to 500 passengers and 200 cars. It has facilities for freight, especially imported vegetable produce.

# INTERNATIONAL FINANCIAL AND COMPANY NEWS

EUROMARKETS

## Big loans expected for Denmark and GDR

BY MARY CAMPBELL

TWO BIG Euromarket loans expected to come into the market soon are for Denmark and East Germany. The Danish loan is expected to be $400m.-$500m. and the East German loan, for the Foreign Trade Bank (Aussenhandelsbank), $125m. Morgan Guaranty will be lead manager of the Danish loan and Bankers Trust International for the Aussenhandelsbank.

The two loans are particularly good examples of the easing in market conditions in recent months. In both cases the terms of the loans will be better from the borrower's point of view than on the last occasion they raised money on this market. This is despite the fact that both Denmark and Eastern Europe have been increasing their foreign debt at what many bankers regard as uncomfortably rapid rates in the last couple of years.

The Danish loan is expected to satisfy Denmark's external financing requirements for this year as far as the syndicated lending market is concerned (further borrowings which may be made will not apparently be needed to cover 1977 requirements).

The terms include a margin over Libor of 1¼ percentage points for the first half of the seven year final maturity and 1⅜ for the last half. This compares with a spread of 1½ per cent. for a five-year final maturity in the loan which Citicorp International arranged last autumn. The front-end fees on the new loan will be about the same as on the last one and will therefore not invalidate the comparison.

The loan will be managed by between 15 and 20 banks, each underwriting about $30m. The group will include banks from the U.S., Canada and Europe.

The management group for the Aussenhandelsbank loan is not yet complete, but is expected to comprise about eight banks, with three underwriting $25m. and five underwriting $15m. No more information than usual will apparently be given to the lending banks, but the East Germans have said that the proceeds will be put towards export-related industries, specifically chemicals and electronics.

The terms for the Aussenhandelsbank loan include a spread of 1⅜ per cent. for the first three years and 1½ per cent. for the last three. The last Aussenhandelsbank loan earlier this year offered 1⅝ per cent. for the full six-year period, with similar front-end fees.

Another indicator of market sentiment is the fact that the loan which the Comecon-owned International Investment Bank is currently raising from a group headed by Dresdner Bank has been increased in size from $400m. to $500m.

Elsewhere in the market, Ecuador is raising $90m. in a six-year loan for which Morgan Guaranty and Union Bank of Switzerland are lead managers. Dubai's $230m. six-year loan for a gas gathering and processing plant has now been signed by the lending banks. It was signed by Sheik Rashid, the ruler of Dubai, last week.

## Unease in UAE after new bank rulings

By Richard Johns

ABU DHABI, May 24.

NO RUSH to withdraw funds from banks in the United Arab Emirates was evident to-day following the news—still not officially acknowledged—that the Ajman Arab Bank had closed for business and the Janata Bank, owned by the state of Bangladesh, was in difficulties.

Even so, one major foreign bank reported that deposits received by it had been at a much higher level than usual—indicating a transfer of money from accounts elsewhere. There is a general concern here that other small locally incorporated houses could be in difficulties, not the least because of new regulations recently issued.

To-day, Mr. Hazem Chalabi, chairman of the Bankers' Association, spoke of the "unease" felt because of them. He said that the measures should have been introduced three to six months ago. "All this storm has no bearing on the credit-worthiness of the UAE," he told the Financial Times.

Mr. Scott and other senior officials of the Currency Board refused to make any comment. However, according to other sources, the managing director submitted his resignation at least six weeks ago.

The impression is that the Currency Board wished to shake some reason into the banking system.

The Janata Bank of Bangladesh is awaiting $10m. influx of funds from Dacca supplied over the crisis. Mr. Nurul Islam, Governor of the Bangladesh Central Bank, arrived here to-day and will have talks with the Currency Board tomorrow.

In the meantime, the Bank's clearing facilities have been frozen and its balances with the monetary authority frozen. As for the Ajman Arab Bank, Mr. Chalabi suggested to-day that there were three possible solutions. First, the failed bank might be taken over by another bank; second, a new management might be installed to salvage it (which would imply some financial backing from the authorities); and third, it might go into forced or voluntary liquidation. As yet, his licence has not been revoked.

SWIRE PROPERTIES FLOTATION

## Low price reflects value questions

BY PHILIP BOWRING

HONG KONG, May 24

HONGKONG'S first new issue for nearly three years, and the largest public equity offering ever made here, got off the ground today with the issue of the prospectus for sale to the public of 55 m. shares in Swire Properties, the currently unquoted subsidiary of Swire Pacific. Concurrently, Swire Properties is also bidding for the minority public shareholding in Swire Cheung, Swires existing quoted property subsidiary.

As stated in yesterday's paper the issue price of the Swire Property shares is $HK2.75 a share payable in full on application. It puts a value of $HK1.22bn. on the company. The prospective 1977 dividend yield is 6.37 per cent., with a price earnings ratio of 9.46 and a dividend cover of 1.48.

This is an attractive proposition by most standards and the issue is expected to be well oversubscribed—British institutional investors are getting a crack at the issue as a substantial number of shares is being sub-underwritten in London. (The percentage is not known, but is probably around 20 per cent.)

Quite how attractive it appears to the investor will become clear to-morrow, when shares in Swire Cheung are traded again following suspension while the offer terms were decided.

Swire properties is bidding for Swire Cheung on the basis of seven properties shares for every ten Cheung shares, putting a value, based on the offer price of Swire Properties shares of $HK2.75, of $HK1.925 on Cheung shares. The Swire Cheung shares are almost certain to go to a premium over that to-morrow.

Even so, some Swire Cheung shareholders may not be entirely happy. Before the suspension the shares had been bid up over $HK2, but they had been highly valued for some months in anticipation of a restructuring and as far as can be ascertained from the Swire Properties document, the price is substantially over net asset value.

The main question being asked here is whether Swire Pacific has undervalued its property subsidiary. That would be to the marginal detriment of Swire Pacific shareholders—though even after the offer, and assuming the Swire Cheung bid goes through, Swire Pacific would own 67.5 per cent. of Swire Properties, with Berkeley (HK), a subsidiary of Berkeley Hambro of the U.K., which is selling part of its stake in Swire Properties as part of the current offer, holding 4.95 per cent.

As it is, after taking the Swire Cheung deal out of account only 18 per cent. of the currently issued shares in Swire Properties are being offered to the public. Thus even if the issue is being made at a somewhat cheap price, the loss to Swire Pacific would not be all that great.

Certainly on the face of it the price does look cheap. Price earnings ratios of 9.5 are none too common here, particularly for companies carrying a name as prestigious as Swire. The prospective yield is almost identical to the yield on the HK dollar denominated Manitoba bonds currently on offer by Wardley, which is co-managing and underwriting the Swire issue.

However, there are good, if not wholly adequate, reasons for this pricing of the issue at well below what, for example, Hong Kong Land, the premier local property company, is earning and yielding.

Firstly, Swire Properties is primarily a property development concern, not a property investment one. Of projected 1977 profits before tax and minorities of $HK131m., $HK101m. will be from land sales and property development and only $HK45m. from net rental income—of which a substantial part is outside Hongkong, mainly in Florida.

Further the development profits are based almost exclusively on one huge property development in Hongkong, the so-called Taikoo Shing Estate, which when completed will consist of some 10,000 apartments. This huge venture basically stems from redevelopment of land acquired by Swire years ago and which became redundant for traditional dock and warehousing needs.

Of course, the land is not any longer in the books at original cost. But to prove itself in the long term, Swire Properties will need to show that it can invest the big cash flow from development and sale of the Taikoo Shing flats in equally profitable new development land and investment properties.

The high yield is also a result of the fact that the net assets per share of Swire Properties given in the prospectus as $HK2.97 include a revaluation surplus of $HK288m. Without this, net assets per share would be $HK2.13.

The revaluation is doubtless fair and conservative. But it has not been included in the formal accounts. Thus, profits from development and sale of this land will tend to be overstated in relation to the actual market value of the land, and of the acquisition cost of development land in the future.

A further modest drawback for the new issue is that the company is acquiring additional development land from its parent, Swire Pacific, by issue of $HK170.5m. in 8.5 per cent. promissory notes, due 1980-82, and a similar amount in convertible Preference shares. These shares will be convertible from 1982 at $HK2.75—the same price as the current issue. So anything Swire Pacific loses on the swings now in terms of an undervalued offer, it could make up for later should the company perform modestly well.

This is a complex issue, which partly explains why the prospectus runs to 57 pages, a record for Hong Kong. But it is also an informative prospectus as befits the most self-consciously respectable of local names. Interestingly too, contrary to local tradition, no shares are set aside for employees—a reflection on the relative muscle now wielded by Hong Kong Securities Commission.

SOUTH AFRICAN COMPANIES

## Romatex recovery continues

BY RICHARD ROLFE

JOHANNESBURG, May 24.

THE DIVERSIFIED floor coverings and textiles group, Romatex, which is controlled by C. G. Smith Investments, has continued the strong recovery trend which has been evident in recent results over the full year to March 31. On turnover raised from R140m. to R162m. for the year, pre-tax profit was up from R11.8m. to R12.9m., indicating a slight increase in margins to 8 per cent. But the improvement was undone at the net level by a higher tax charge and earnings on the 23.5m. shares in issue were unchanged at 34 cents. However, the dividend was raised 1c. to 13c. and the shares responded with a 10c. gain to 85c., which puts them on a yield of 15.3 per cent.

The group was formed 18 months ago by the merger of Ropes and Mattings with Feltex and its spread of interests covers much of the consumer and durable sectors. Sales of carpets and components for the automobile industry have been sharply down in the past six months, during which group profits overall failed to maintain the level of the first six.

But the Board says that increased profits in the fabric division offset the downturn and that improved liquidity reduced interest charges. Despite the poor present trading climate, an unchanged dividend is forecast for the current year, subject to the now-universal proviso that conditions do not deteriorate further.

* * *

THE STEEL manufacturing and heavy engineering group, Dorman Long Vanderbijl, whose interests embrace ship repairs, rolling stock and metal pressings, has reported pre-tax profits up from R7.2m. to R8.5m. for the six months to end-March, 1977. Net earnings, however, after tax and reduced minority interests are down from 64.5 cents to 61.3 cents, reflecting the one-for-five rights issue last April which raised issued capital from 6.5m. to 7.7m. shares.

The Board says that pre-tax profits for the full year are expected to exceed the previous figure of R16.6m. But tax will be higher, as assessed losses have been recouped and there will be lower capital allowances resulting in a reduced level of capital expenditure. The dividend, the Board says, will be maintained at last year's 50 cents, putting the shares at 500 cents on a 10 per cent. yield. British Steel Corporation holds a beneficial 20 per cent. in Dorman Long through a South African consortium company, IPSA, in which Anglo American and Iscor are the other shareholders.

* * *

IN LINE with earlier indications of favourable profits for the South African sugar producers in the season just ended, C. G. Smith Sugar, which accounts for 25.5 per cent. of the industry's output, has shown pre-tax profits up from R19.7m. to R20.9m. for the year ended March 31. The contribution from sugar milling and cane growing shaded from R13.9m. to R13.1m. but other profit centres—mainly sugar-related, such as transport, warehousing and packaging—rose from R3.3m. to R4.4m. and dividend income from R2.5m. to R3.4m.



AMERICAN NEWS

## Progress in UT bid for Babcock

UNITED TECHNOLOGIES CORPORATION will be permitted to extend a tender offer to shareholders of Babcock and Wilcox should the Ohio commissioner of securities follow a ruling made last night by a State hearing officer that United proceed with the offer, AP-DJ reports from Columbus.

Mr. Clark W. Wideman, commerce department legal counsel, said last night United Technologies "provided for fair full and effective disclosure" in its tender offer to Babcock and Wilcox shareholders to buy the company's common stock for $42 a share. But he said United Technologies must extend its offering period to 20 days from 10 days to allow Babcock and Wilcox holders adequate time to study the tender offer.

● A $511m. or $42 a share, offer for Babcock and Wilcox by United Technologies in March was resisted by Babcock.

### Nabisco German unit

NABISCO said it will close its West German subsidiary XOX-Nabisco and write off some product lines in its Aurora Products Corporation unit thus taking a non-recurring $11.7m. or 73c a share second-quarter charge, Reuter reports from New Jersey.

Nabisco said it has provided for all the estimated financial impact of the closure—but did not disclose the amount involved.

XOX-Nabisco incurred losses over past years and no substantial improvement is foreseeable, but the move in no way affects its B. Sprengel and Co. confectionery unit in West Germany, Nabisco added.

Nabisco had net earnings in the first quarter of $18.4m., or $1.15 a share, on revenues of $502.9m., compared with $16.6m., or $1.04 a share, on revenues of $482.8m. in the same period last year.

### FTC Court action against oil majors

THE FTC authorised its staff to take Federal Court action against six major oil companies that are resisting Commission subpoenas for antitrust documents, reports AP-DJ from Washington.

One of the companies, Texaco Inc., has refused to comply in any manner with the FTC subpoenas, a staff source said.

The five other companies—Mobil Oil Corporation a unit of Mobil Corporation, Standard Oil of California, Atlantic Richfield, Standard Oil—Indiana and Shell Oil, a member of the Royal Dutch-Shell Group—have only supplied what they deem to be non-confidential documents.

The six companies are among eight major petroleum concerns involved in a mammoth antitrust case begun by the Commission in 1973.

### Firestone expects further improvement

FIRESTONE TIRE AND RUBBER COMPANY said it expects earnings to continue improving quarter by quarter in the second half of the year ending November 30, after reporting second quarter earnings of $39.3m., against $38.6m. in the same period last year, agencies report.

The company said its diversified products, raw material and chemical operations earnings and sales should be higher in the current year, but it made no prediction about tyre operations.

Net earnings a share in the second quarter were 68c, against 67c, and sales $1.13bn., against $1.06bn.

For the half year net earnings were $62.6m., or $1.09 a share, compared with $58.4m., or $1.02 a share. Sales totalled $2.11bn., against $1.92bn.

Firestone said the year earlier quarter was unusually strong because customers were buying in anticipation of a tyre industry strike. Its domestic operations had higher profits, but international earnings were lower than last year.

### Woolworth first quarter dip

F W. WOOLWORTH net earnings fell to $7m., or 21c a share, in the company's first quarter, to April 30, from $13.8m., or 45c a share, in the first three months last year. Sales were $1.148bn., against $1.089bn., AP-DJ has reported.

The figures include equity in British Woolworth of $4.09m.—compared with $2.2m.

Net income is also after a foreign exchange gain of $5m in the latest period compared with a foreign exchange loss of $3.6m. a year ago.

Mr Lester A. Burcham, chairman, and Mr. Edward F. Gibbons, president and chief executive, said: "In addition to relatively weak sales performances during the 1977 first quarter, a serious impact on operating income resulted from the drop in exchange rates of most foreign currencies." The resulting reduction in dollar income more than offset "the exchange gains of $5m. arising from the translation of balance sheet accounts. The opposite condition existed in the 1976 first quarter."

### New accounting body

THE AMERICAN Institute of Certified Public Accountants is to become a founding member of a new worldwide accounting organisation to be formed at the International Congress of Accountants in Munich.

| DEERE & CO. Second Quarter | 1976-77 $ | 1975-76 $ |
|---|---|---|
| Revenue | 1.01bn. | 899.8m. |
| Profits | 91.96m. | 83.39m. |
| Per share | 1.53 | 1.41 |
| 6 Months | | |
| Revenue | 1.62bn | 1.53bn. |
| Profits | 132.19m. | 129.68m. |
| Per share | 2.20 | 2.18 |

| DAYTON HUDSON CORP. First Quarter | 1977-78 $ | 1976-77 $ |
|---|---|---|
| Revenue | 427.1m. | 395.5m. |
| Profits | 8.11m. | 6.59m. |
| Per share | 0.50 | 0.41 |

| WESTERN AIR LINES First Quarter | 1977 $ | 1976 $ |
|---|---|---|
| Revenue | 164.7m. | 139.5m. |
| Profits | 2.0m. | 1.4m. |
| Per share | 0.16 | 0.09 |
| Share dil | 0.14 | 0.09 |

| INTERNATIONAL HARVESTER Second Quarter | 1976-77 $ | 1975-76 $ |
|---|---|---|
| Revenue | 1.56bn. | 1.48bn. |
| Profits | 57.64m. | 58.12m. |
| Per share | 1.67 | 2.04 |
| 6 Months | | |
| Revenue | 2.77bn. | 2.56bn. |
| Profits | 82.79m. | 88.17m. |
| Per share | 2.81 | 3.07 |

EUROBONDS

## Extremely quiet trading

BY MARY CAMPBELL

THE EUROBOND market is extremely quiet in advance of the annual meeting of the Association of International Bond Dealers in Paris on Thursday and Friday. Indeed, it appears that dealers have already begun to slip away and there will be a general exodus to-morrow. Much of the little activity there is, consists of banks closing positions in advance of going away, dealers said. The general undertone, however, continues stable.

In first day trading, Nippon Mining was quoted yesterday at between 98 and 98½—it was priced at 98½.

The final terms of the $25m. convertible issue for the Dutch insurance company Ennia have now been fixed. The coupon will be 7½ per cent as indicated and the issue price par. The conversion price has been set at Fls130 per bearer depository receipt (BDR) and the exchange rate for conversion purposes at Fls2.4565 per U.S. dollar. The price of the BDRs on the Amsterdam stock exchange on May 23 was Fls117 (cum dividend) which gives a conversion premium of 11.1 per cent.

The lead managers of the issue were Amsterdam Rotterdam Bank and Morgan Stanley International.

| BONDTRADE INDEX | Y'day | Mon. |
|---|---|---|
| Medium term | 102.56 | 102.57 |
| Long term | 95.47 | 95.44 |
| Convertible | 108.95 | 110.04 |

### SELECTED EURODOLLAR BOND PRICES MID-DAY SELECTIONS

| | Bid | Offer |
|---|---|---|
| [illegible] | [illegible] | [illegible] |

## Zanussi back in profit

By Paul Betts

ROME, May 24.

INDUSTRIE ZANUSSI, Europe's largest manufacturer of domestic appliances, reported to-night a profit of L.19.3bn. (about £12.8m.) last year compared to a loss of L.1.8bn. the previous year. Profit, the company said, increased by 19 per cent on a year-on-year basis.

Turnover last year totalled L.44bn. This represented a 47.8 per cent. increase in value and a 23.6 per cent. increase in unit sales as against the previous year. Foreign sales accounted for 53.7 per cent. of last year's turnover.

While the company reported a sharp reduction of its indebtedness with the banking system, it said investments last year amounted to L.10.4bn.

### Eurobail dividend

THE PROPERTY LEASING company Eurobail will distribute a full 1976 dividend of Frs.11.50, against Frs.10.24 previously, company president Charles Frappart told, Reuter reports from Paris.

Eurobail will introduce 100,000 shares of Frs.100 nominal on the Paris bourse from June 7 at a minimum price of Frs.117.

M. Frappart told a Press conference that Eurobail's rental revenues should increase to Frs.22.5m. in 1977.

### Big loss at GEPI

SOCIETA DI GESTIONI e Partecipazioni Industriali (GEPI), the Italian State holding company specialising in the salvage of crisis-stricken companies, posted a loss of L74bn. for 1976 against a loss of L59bn. in the previous year.

GEPI announced that L39bn. of its total deficit came from losses of its subsidiaries and L31bn. from [illegible]

# INTERNATIONAL FINANCIAL AND COMPANY NEWS

JAPANESE NEWS

## BOJ acts on reserve plan

BY CHARLES SMITH TOKYO, May 24.

JAPANESE BANKS and foreign banks operating in Japan will be required to maintain interest-free deposits equivalent to 0.25 per cent. of their overseas liabilities with the Bank of Japan starting next month.

The reserve deposit system was originally announced by the Bank of Japan last November, but is only now being activated—and in the most moderate form that would have been possible within the Bank's terms of reference.

A spokesman for BOJ said this afternoon that the Bank was activating the system chiefly because it was felt to be "unusual" to announce a new set of regulations without putting them into operation for a long period. Another objective was to "clear suspicions" that BOJ might be planning a "punitive" level of deposit ratio.

The reserve deposit system applied to the domestic liabilities of Japanese calls for a 3 per cent. deposit in the case of some types of liabilities. When the Bank of Japan announced the extension of reserve deposits to overseas liabilities last year there was some, as it turned out, misguided speculation that the 3 per cent. level might be invoked.

The reserve deposit system for foreign liabilities has two main objectives. One is to provide a means for controlling an important element in domestic liquidity (that is, Yen funds generated from foreign borrowings). The other is to provide an incentive for a switch from dollar financing to Yen financing of Japan's imports. With the deposit ratio set at 0.25 per cent., it is now very marginally more expensive for Japanese banks to maintain overseas liabilities than for them to maintain Yen liabilities.

However, the Bank of Japan does not expect that the margin (perhaps 0.1 per cent. in a typical case) will be wide enough to provoke any immediate or precipitate shift from dollar to Yen trade financing. Japan is not anxious to make this move rapidly although it remains long term policy to shift trade financing into Yen.

The reserve deposit system will in theory have a proportionately greater impact on the business of foreign banks than on domestic Japanese banks since foreign banks may have up to half their liabilities denominated in foreign currencies. Many foreign banks however already maintain deposits with BOJ which are adequate or more than adequate to cover the 0.25 per cent. requirement.

### Toray second half slumps

By Yoko Shibata

JAPAN'S largest synthetic fibre manufacturer, Toray Industry, reported to-day an 11.9 per cent. increase in sales to Y413.98bn. for the year ending in March and recurring profits of Y5.91bn. compared with a Y5.94bn. loss in the previous year. It also forecast net earnings of Y1bn. in the current six months after a total net profit of Y4.1bn. last year.

The company's recurring profits in the second half, however, declined sharply to Y863m. from Y5.05bn. in the first half year. The poor performance in the second half, in which net profits also fell from Y3.15bn. in the first to Y954m., was attributed to the sharp drop in prices of polyester fibres. Sluggish domestic demand and severe overseas competition caused by a stagnant polyester market in the United States caused deficits in the textile division.

The setback in the textile division, however, was offset by the favourable showings of products such as synthetic suede "Ecsaine" and plastics, as well as a royalty income from technology exports to overseas subsidiaries and sales of securities worth Y1bn. (Y600m. in the second half).

Sales in the second half at Y209.84bn. were roughly the same as in the first half. Polyester fibre contributed 39.8 per cent., nylon 23.2 per cent., plastic 12.8 per cent., acrylic fibre 9.8 per cent., chemical products 6.8 per cent., synthetic suede 5.8 per cent. and others 1.8 per cent.

Despite the company's efforts to reduce dependence upon textile products, the ratio of textile products to the total textile sales advanced to 78.7 per cent. from 77.6 per cent. in the previous year. Textile products, however, contributed only 50 per cent. to the company's net earnings.

Reflecting intensified competition, particularly from the overseas South-east Asian export drive, Toray's export ratio declined to 33.3 per cent. from 36.3 per cent. a year ago.

Owing to the company's concentration on the development of new products with high added value, high class synthetic suede increased its sales by 28 per cent. and plastics—particularly resins for engineering use and polyester films—gained 29 per cent. in sales during the year.

The company continued to pay a Y2.50 (5 per cent.) interim dividend for the second half of the fiscal year by using its internal reserves.

## Recovery at Inchcape Berhad

BY H. F. LEE SINGAPORE, May 24.

AFTER A DISMAL performance in 1975, Inchcape Berhad—the widely diversified Far East subsidiary of Inchcape Corporation U.K.—recovered strongly last year to chalk up a sharply improved profit for 1976. Pre-tax, the company ended 1976 over 60 per cent. ahead at $31.242m.

After tax, minorities and extraordinary items net profits were 59 per cent. higher at S$14.595m. The group's profit upsurge came largely from its subsidiaries and was achieved despite a mere 6 per cent. increase in turnover to S$615m.

Inchcape chairman, Mr. A. A. Webster, attributed this to improved profitability over a wide range of activities," as well as foreign exchange gains. An important contributor to Inchcape's better performance was probably the motor vehicle division which would have experienced a recovery in line with the better trading conditions enjoyed by the industry last year.

The group is an important motor trader in Singapore and Malaysia and its motor division accounts for a substantial portion of its activities. Other important activities are general trading, timber, shipping, marine, property and travel.

Inchcape's profit upsurge slowed somewhat in the second half of 1976 but the better overall result allows the company to increase its dividends. A final dividend of 7½ per cent. is recommended, making a total of 12½ per cent. for the year, against 10 per cent. in 1975.

### Parker Hannifin looks for record

PARKER HANNIFIN Corporation, the manufacturer of fluid-power system components and automotive parts, expects net earnings in its financial year, to June 30 to reach a record of about $28m. on net sales around $500m. In 1975-76, net earnings were $19.9m., and net sales $407.4m.

Suggestions that this year's results might be of the above order were accepted yesterday by Mr. Patrick S. Parker, president and chief executive officer, at the official opening of Parker's new European headquarters at Watford, near London.

## Belgian power industry in rights rush

BY DAVID BUCHAN BRUSSELS, May 24.

THE BRUSSELS Stock Exchange does not see many attempts by Belgian companies to raise new share capital. But since the start of the year the Belgian electricity companies have launched a spate of rights issues.

Intercom, EBES and Unerg, the big three private power producers which between them generate 85 per cent. of the country's electricity, have had their total of B.Frs.8.26bn. (£133m.) of new shares fully taken up. Intercom and EBES, the two largest companies, both issued one-for-five issues for a total of B.Frs.7bn., with the balance going to the smallest company, Unerg, which launched a one-for-seven issue.

### Loophole

Normally the companies stagger their approaches to the capital market. But they have all this year decided to take advantage of the loophole in the Government restriction of an 8.5 per cent. maximum increase on dividends this year. This allows companies that increase their share capital by more than 10 per cent. to go above this limit on dividends.

In general the companies and in particular Intercom and EBES, are highly geared with large debt to equity ratios. The continuing capital needs of the industry, particularly in nuclear plant, are big. Last year it invested B.Frs.22bn. (B.Frs.12bn. in new production capacity, and the rest in transport and distribution). It is therefore easy to see why the companies want to dilute their debt with some more equity.

The industry also seems to be aware that it needs a more remunerative shareholder policy than of late. From 1973-5, both Intercom and EBES had to hold their dividends at the same level, because the bad year of 1974 was followed by a Government freeze on dividends last year which affected profit distribution of 1975 profits. Unerg cannot be compared because it only took its present shape from a series of mergers last autumn. Dividends are now on the increase again. Thus, Intercom's recently announced dividend for last year was B.Frs.142 (129 the previous year), EBES B.Frs.177 (161), and Unerg B.Frs.112 (no valid comparison because of last year's mergers).

Nevertheless these increases are cautious, just around 10 per cent., and analysts here feel that the increase will have at least to be maintained in coming years if electricity shares are to regain their old pre-1973 reputation of being one of the few Belgian stocks that always kept pace with the cost of living. The apparent psychological fact that the Belgian investor regards electricity stocks as almost as secure as the Belgian State—in the sense that such a basic industry is not likely to go out of business at the whim of the economic cycle—is not enough.

Prospects for the industry seem reasonably rosy. While 1976 was not a year of sustained growth for the Belgian economy, total consumption did rise by 9.6 per cent. on the abysmal year of 1975. Industrial use, which is about 60 per cent. of total consumption, rose by 10 per cent., private residential use by 9.5 per cent., though the electricity requirements of transport—trams and railways—hardly increased at all.

Production on the other hand, rose by 15.4 per cent. last year, a discrepancy largely explained by the export to France of half the output of the Belgian nuclear plant at Tihange which is half owned by Electricite de France.

### Political clouds

In the near future, Intercom officials admit that 1977 may be a difficult year for their company because of the surprisingly slack demand at the start of the year in residential use. The three companies form a sort of geographical cartel, and Intercom with the big Brussels conurbation in its fold is 65 per cent. dependent on residential users and 35 per cent. on industry. The opposite is true for EBES, which has the big industrial areas of Ghent and Antwerp.

There are one or two political clouds on the horizon. The Socialist party which may form part of the next Tindemans Government in Belgium, demanded in their election manifesto of last month a State participation of 20 per cent. in electricity production, and a two-year moratorium on nuclear power development.

But though a moratorium of some duration is now accepted by most of the industry and politicians as necessary, the Socialists are unlikely to make their demand for a bigger State stake in electricity a sticking point in any negotiations for a new coalition.

### Steyr dividend hopes

STEYR-DAIMLER-PUCH AG is expected to raise its 1976 dividend to 7 per cent. plus a bonus of 1 per cent. (5 per cent. in 1975) according to banking sources close to the company. Reuter.

ACCOUNTING FOR ASSOCIATES

## Muddle in Manila

BY BILL COCHRANE

READERS OF these pages may remember Jardine Matheson's foray into the Middle East last June, when it spent $US35m. in acquiring 25 per cent. of the Liberian-based, Saudi Arabian-owned Transport and Trading Company Incorporated; at the time Henry Keswick, former Jardine chairman and now London director, emphasised that Jardine did not go in for equity accounting, and would simply take a dividend from its TTI associate.

Then, last August, Jardine's Philippine subsidiary Jardine Davies made a public issue of shares in the Philippines which reduced the Jardine parent's stake in Davies to 72 per cent. Readers of the prospectus issued in that connection may remember that Davies, too, said then that equity accounting of associates was not its policy.

More recently, Far East observers have been surprised to find that Jardine Davies in the 1976 accounts did, in fact, equity account its associates. What did this mean for parent company policy and the TTI stake in particular? There was also concern among those who had subscribed to the Jardine Davies issue about the Ph.Pesos11.4m. write-off revealed in the 1976 accounts.

In London yesterday, Mr. Keswick agreed that a Davies subsidiary, E. J. Nell, had "made a mess of things," a situation not known at the time of the issue.

As for equity accounting, Mr. Keswick pointed out yesterday that this is common practice in the Philippines—a note to the latest Jardine Davies accounts gave figures on the same basis for 1975; Jardine Davies' figures, said Mr. Keswick, were not altered to any great degree by equity accounting and, in any case, Jardine Davies as a whole accounted for only 3 to 4 per cent. of total Jardine Matheson group profits.

Furthermore, both Jardine's U.K. and U.S. (Hawaiian) subsidiaries were also obliged to employ equity accounting due to local directives. However, all of these, including Jardine Davies, were "de-equitised" in the group accounts. In short, the Jardine Matheson accounts do not, and will not use equity accounting for the parent or for subsidiaries which may have to do for domestic consumption.

So JM still comes out of all this as a proponent of conservative accounting practices. But the affair may give the international accounting profession some food for thought. In the U.K., for example, the profession—having been attacked for apathy on the corporate accounting front—has subsequently achieved a degree of approbation by first thinking about specific problems and then issuing guidelines and directives via the Institute of Chartered Accountants. But guidelines and directives do not build up into a catechism to be followed religiously, and forever.

It can be argued that the equity accounting principle is open to abuse. And, like Jardines, we like the thought even less when subsidiaries and associates are spread world-wide.

### Sime Darby settlement

SINGAPORE, May 24

SIME DARBY HOLDINGS said it paid £900,000 in settlement of claims by Shaw Wallace Company and Shaw Wallace Overseas in respect of transactions in the shares of R. G. Shaw Company, which took place in 1971.

A Sime Darby statement said the settlement, involving payment of £850,000 to Shaw Wallace and Company and £50,000 to Shaw Wallace Overseas arose from the sale to Sime Darby by the two companies of a total 6.3 per cent. interest in R.G. Shaw prior to the proposed merger of Sime and R. G. Shaw announced in January 1972.

It said Shaw Wallace claimed damages in November last year on the grounds that failure to disclose plans for the merger of Sime and R. G. Shaw resulted in Shaw Wallace and Shaw Wallace Overseas selling their R. G. Shaw shares at the then ruling market prices which were materially lower than those ruling after the merger was announced.

Sime Darby's statement said the settlement released Sime and R. G. Shaw from all claims arising out of the 1971 share sales and added Shaw Wallace and Shaw Wallace Overseas assigned to Sime Darby all their claims in the matter against other parties.

Sime Darby's directors would decide to what extent it would be practicable to obtain recompense from other companies and persons. Reuter

## Guidelines for world insurance industry

BY ERIC SHORT

The placing of insurance in these days of "jumbo" size risks cannot be confined by national boundaries. If any industry can be regarded as truly international, it is the insurance industry. Even countries behind the iron and bamboo curtains have state organisations offering insurance services. The insurance operator, once he moves beyond the domestic personal market, needs a working knowledge of insurance operations in other countries. Coopers and Lybrand, the international accountancy firm, in its new book International Insurance Industry Guide, describes the insurance operations in every country which has an insurance industry.

The first part of the book provides abridged details of the industry operations and covers 91 countries with an insurance framework, including the Communist countries. The information provided includes the number of licensed insurers, approximate premium income, regulatory authorities and exchange and insurance controls. It also provides detail on the market practice of insurance within individual countries, how business is placed and who does the placing—as well as describing the insurance facilities provided by State or other Government agencies.

The second part of the book deals with major insurance centres in depth. It spells out the functions of the regulatory authorities, how far they are involved in supervision, in controlling assets and in valuations. The solvency requirements and accounting policies of life and general insurance business are dealt with and the book also takes a look at the taxation of insurance business. This section is aimed primarily at the expert who needs a quick reference to insurance operations within a particular territory.

## Moevenpick dividend up

THE SWISS-BASED restaurant and hotel concern, Moevenpick Holding, is to recommend an increased gross dividend for the year ended in March after a rise of 8.2 per cent. in group turnover to Sw Frs.290m. and a 36 per cent. improvement in unconsolidated cash-flow to Sw.Frs.18.2m.

The past year has seen a turn in the fortunes of two of the group's former problem sectors. The Epicura Holding AG, which owns Moevenpick operating subsidiaries in Federal Germany, has been able to declare its first dividend for six years, while the group's two Swiss "Holiday Inns," near Zurich airport, registered a positive cash-flow.

Moevenpick Holding adds that its new hotel near Cairo is operating extremely successfully and will act as a pilot unit and model for group expansion plans in the near and Middle East.

APPOINTMENTS

# Gestetner group posts

Mr. C. Green and Dr. B. S. Gozringe have joined the Board of Gestetner Stirling. Mr. D. A. Smith has been appointed to the Board of Gestetner Byfleet. The companies are subsidiaries of GESTETNER HOLDINGS.

*

Mr. Edward Tunnadine, at present managing director of Herringshaw Steels, will join the Glynwed group on July 1 to become chief executive, GLYWED DISTRIBUTION (STEEL STOCKHOLDING). Mr. Tunnadine has over 25 years experience in steel stockholding.

*

Mr. Charles Brown, managing director of J. A. Brown and Partners, has been elected president of tha ELECTRICAL CONTRACTORS' ASSOCIATION for 1977-78. He takes over at the annual conference, being hold at Albufeira, in Southern Portugal, between May 26 and June 2. Mr. Brown was chairman of the Birmingham branch of ECA in 1963-64 and was elected to Council in 1969. He became vice-president in 1975. Vice-presidents of ECA in the comiog 12 months are Mr. Patrick Lowe, of Lowe and Oliver, and Mr. Dovid Pitts, of David Pitts and Holt. Tho retiring president is Mr. Alex Harrower of A. M. Horrower.


Mr. Charles Brown

## Management changes in EMI group

Mr. S. J. Laredo has been appointed managing director of PANTAK (EMI) reporting to Mr. Roger C. Day, director of product aod systems, with effect from July 1. Mr. Laredo succeeds Mr. W. H. Laws who will remain in a consultative role with that concern. Mr. D. W. Allen, a director of S.E. LABS (EMI), has been made general manager of that compony, in place of Mr. Day, now director of product and systems, EMI's European and International Medical Operations.

*

The NATIONAL BANK OF AUSTRALASIA states that Mr. R. C. Kidman, manager investmant services, London, will return to Australia shortly to take up his new oppointment as manager, international banking, Sydney. Ho will be succeeded by Mr. C. D. Clay, at present manager investment services, Sydney.

*

TEXAS COMMERCE BANK has appointed Mr. David C. Shannon as vice-president, European business devolopment, of its London branch. Prior to this appointmont, Mr. Shannoo was a vice-president in the bank's chemical division in Houston, Texas.

*

Mr. P. W. S. Boult, managing director of Metlex Industries, has been appointed president of the HARDWARE MANUFACTURERS' ASSOCIATION for 1977-78. Metlex is a subsidiary of Initial Services.

*

Mr. Fred Jones has been appointed o part-time member of the BRITISH NATIONAL OIL CORPORATION. Mr. Jones, a deputy secretary at the Treasury, will be ooe of two civil servant members of the Board. He replaces Mr. Lawrence Airey, who has resigned from the Corporation following his recent promotion within the Treasury. He had served on the Board since tho Corporation was established on January 1, 1976. The second civil servaot member of the BNOC is Mr. John Liverman, a deputy socretary ot the Department of Energy.

*

Mr. Llodsay Buchanan has been appointed commercial director of DECCA RADAR. He succeeds Mr. Joho Smith, who is retiring from that position.

*

Mr. Charles L. Asbury has been appointed o non-executive director of PLATTS FORGINGS OF WILLENHALL, a member of the Rocord Ridgway Group.

*

The following officers hava been alected by the CORPORATION OF INSURANCE BROKERS for 1977-1978. Mr. N. R. Frizzell (Frizzell Group) prosident; Mr. R. C. Strange (A. R. Stenhouse Reed Shaw ood Partners) honorary treasurer; and Mr. C. W. Couch (Fenchurch Group Brokers) chairman of council.

*

Mr. John Croom hos been appointed marketing director for BAGC (ENGINEERING).

*

Mr. G. A. Hepworth is to be the first group director of International development at ASSOCIATED ENGINEERING. Mr. Hepworth will be succeeded as divisional managing director of the replacemont parts, marketing and distributing division by Mr. K. Corcoran who is presently managing director of A. E. Edmunds Walker, the Gronp's U.K. national parts distributor. These appointments ore from July 1.

*

Mr. Robert Courtney Smith has been appointed a part-time member of the HORSERACE BETTING LEVY BOARD for three years until May 31, 1980.

*

Mr. S. Williams has been appointed by E. R. SQUIBB AND SONS of the U.K., as director responsible for quality control from June 1. Mr. G. D. Soell becomes a vice-president of E. R. Squibb and Sons Inc., retaining his position as managing director of tha U.K. concern. Two deputy managing directors are appointed, Mr. A. Smith and Mr. D. K. Watkins. A new company has been formed called Squibb Surgicare, based in Reigate, Surrey. Its Board consists: Mr. Snell (chairman), Mr. Watkins (managing director), Mr. G. R. Daniel, Mr. A. Smith, Mr. T. R. Hayward, and Mr. P. R. Hurren.

*

Mr. Robert M. Reed, a director of HUGH BAIRD AND SONS, has been appointed general manager of the company's operations in England and Wales. The parent concern is Tate and Lyle.

*

Mr. Bernard Cliff has been appointed executive secretary of the LIVERPOOL PORT EMPLOYERS' ASSOCIATION, succeeding Mr. Henry Ballantyne in executive charge. By mutual agreement, Mr. Ballantyne is being released from his post as executive vice-chairman from the eod of May to devoto more time to his interests in management development and industrial relations on a wider consultancy basis.

*

Mr. J. L. Forrester has been appointed operations director, Scottish factories, for HONEYWELL. He was formerly personnol director for the company, based at Bracknell, Berks. Mr. Forrester will be replacing Mr. G. I. Johnson, who is returning to tho U.S. to take up the post of director of production, residential division, Minneapolis. Mr. Johnson has been in his present position since August, 1973, at Newhouse. Tha appointments take offect on July 1, but both begin io their new assignments immediately.

*

Mr. Eric Luke has been elected chairman of the BRITISH ASSOCIATION OF INDUSTRIAL EDITORS for 1977-78. He has beeo public relations manager of the Powell Duffryn group for the last 12 years. Mr. Luke previously spent ten years as public relations and advertising manager of L. Sterne and Co.

*

Mr. W. F. Bignell has been appointed managing director of ALTON LAUNDERERS AND DRY CLEANERS, a member of the Barnett Christie Group. Mr. F. H. Christie is chairman.

*

Mr. Rodney A. Hilton has been named resident vice-president by CITIBANK FINANCIAL TRUST, the U.K. consumer finance subsidiary of Citibank NA. Mr. Hilton is head of CHT's Midlands division and controls its 12 branches in the area.

*

Mr. William G. Agar has been appointed sales director of CONDER NORTHERN, part of the Conder Group. Formerly sales manager for Secometric, Mr. Agar will be promoting Conder's Kingsworthy buildiogs.

## Pharmaceutical changes at Reckitt & Colman

Management changes ot RECKITT AND COLMAN, pharmaceutical division havo been mada to strengthen the company's position in both homo and overseas markots.

Mr. R. S. Horris is now area director U.K. and exports. He retains the title of U.K. general manager. Mr. D. A. Roser, formerly marketing manogor (home medicines), has moved to the export division to becomo pharmaceutical marketing and development manager. He heads a new department designed to further increase the achievements of pharmaceutical exports.

Within the U.K. Mr. N. Thomoson becomas pharmaceutical marketing director, at the same time retaioing his responsibility for the sales force. Mr. P. G. Averill has been appointed pharmaceutical salos manager. He was formerly area manager for Lancashire and Cheshire.


Mr. N. Thomason

HOME CONTRACTS

# ITT Creed awarded £14m. Post Office teleprinter order

ITT CREED has received an order for teleprintor equipmont from the Post Office, with a total sales volne of over £14m. The ordor, for 7,000 Modol 444 toloprinters and 3,500 consolos, covers the period from January to Docember, 1978. Additionally, tho Post Office is currently ovaluating tho ITT Model 2300/5 teloprinter, and the company expects bulk purchase of this new electronic teleprinter to begin in the same period.

*

MILLER CONSTRUCTION, Wakefield, has been awarded a contract worth more than £2m. by Rotherham Metropolitan Borough Council to build 261 dwellings on the Flanderwell housing development, Phase 1B, Bramley. Miller has also won a design and build contract from the North British Housing Association for the construction of 97 dwellings at Cragg Road, Mytholmroyd.

*

PYE BUSINESS COMMUNICATIONS, Cambridge, has received two contracts together worth £1.75m. for EBX 8000 electronic PABX telephone systems. The two customers are Unilever and BP chemicals; both installations will be in London.

*

ROSSER AND RUSSELL (NORTHERN) has started work on a new clinical sciences building at St. James's Hospital, for the University of Leeds, under a contract worth £700,000 for the provision of mechanical engineering services.

*

N. G. BAILEY AND CO., Bradford, has won a contract worth about £170,000 for the complete electrical and instrument installation at the phenates plant of BP Chemicals at Hull.

*

PRECISION AIR CONTROL has been awarded a £120,000 contract by British Leyland spares division based at Cowley, for air-conditioning equipmont at its computer installation. A contract for air-conditioning of tho computor installation at Securicor's Fulham headquarters is the fourth contract placed by that company with PAC.

*

CANONGATE CONTRACTS has received another furnishing contract from the InterContinental Hotels Corporation. Last year, Canongate supplied the bedroom furniture for the new Intercontinental Hotel in Park Lane, W.1. The new order, worth over £100,000, is for the replacement of bedroom furniture of the Portman Hotel, in Portman Square, W.1.

*

WILLIAM TAWSE, Aberdeen, has been awarded the civil engineering works contract, worth about £3m., for the Shell/Esso North of Scotland gas project at St. Fergus. The contract was awarded by, and will be carried out under the supervision of, the Ralph M. Parsons Company, managing contractors for the project.

*

M.E.L. EQUIPMENT COMPANY, Crawley, Sussex, part of the Philips Group, has won a contract worth more than £2m. from the Ministry of Defence for the supply of a number of 100W SSB sub-systems to the Royal Navy. The sub-systems form part of the SSA (single sideband amplifier) MF/HF radio system in service with submarine fleets of the Royal and overseas Navies.

*

EX-CELL-O CORPORATION (ENGLAND) of Leicester—the British subsidiary of Ex-Cell-O Corporation, Detroit, U.S., has received orders from the Ford Motor Company worth more than £1m. for the design and manufacture of special purpose machinery for the production of diesel engino connection rods. Ono machino will be o multi-station in-lino transfer machina for conoocting rod bolt holes; the other will be a rotary indexing machino for rough and finish boring operations.

*

PLESSEY TRANSMISSION, a division of Plessey Telecommunications, Nottingham, has received a share in a Post Office order for 30-channel PCM transmission system equipment. Worth about £1½m., it will be delivered over the next 12 months.

*

WEEKS TRAILERS, Hessle, North Humberside, has obtained an order worth £700,000 from the Ministry of Defence to supply specialised trailers for use by the British Army.

*

KENMAC CONSTRUCTION COMPANY, Northwich, Cheshire, has been awarded a contract worth £393,925 by the Northumbrian Water Authority for the manufacture and supply of a trunk sewer. The 4½ km intercepting sewer, which forms Stage 2 of the Castleside trunk sewer, will serve the Consett area and discharge into the new sewage treatment works at Westwood. Stage 1 of the contract, which was also undertaken by Kenwood, comprises a 2 km length sewer immediately upstream of the treatment works.

*

APV PARALEC, Crawley, West Sussex, has received an order worth almost £250,000 from Wilsons Foundry and Engineering Company, Bishop Auckland, Co. Durham, for a new medium frequency melting installation consisting of a 1500 kW solid state generator with one three-tonnes and one two-tonne body and a changeover switch.

## HOME NEWS

# State air group joins Nato missile study

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH AEROSPACE'S new Dynamics Division, comprising the guided weapons and space activities of Hawker Siddeley Dynamics and the British Aircraft Corporation, is to join in a new Nato study for a long-range anti-ship missile system.

The decision to launch the programme was made by Nato Defence Ministers in Brussels last week. France, West Germany, the Netherlands, Norway, the U.K. and the U.S. will all be involved in the initial studies.

The project, when it finally becomes a technical programme involving hardware, will be managed by an international industrial combine based on the French system of a Groupement d'Interet Economique, in which companies from the U.K., France and Germany will be the main participants, with companies from the U.S., the Netherlands and Norway giving support where necessary.

The concept being studied is of a family of powerful long-range missiles which can be launched from either submarines, surface ships or aircraft against enemy ships.

Thus, there will probably be several missiles in the family, eventually of various sizes and destructive capabilities. It is not known yet whether any of them will be nuclear, but the possibility cannot be discounted.

The scope of the new missile system is not yet defined, but clearly it will be a major weapons system, going beyond such existing seaborne surface-to-surface missile systems as the U.S. Harpoon, the U.K.'s Sea Skua, and the BAC's private-venture study for an air-launched anti-ship version of the Martel guided weapon.

# Cutting tool sales reach £150m.

By Kenneth Gooding, Industrial Correspondent

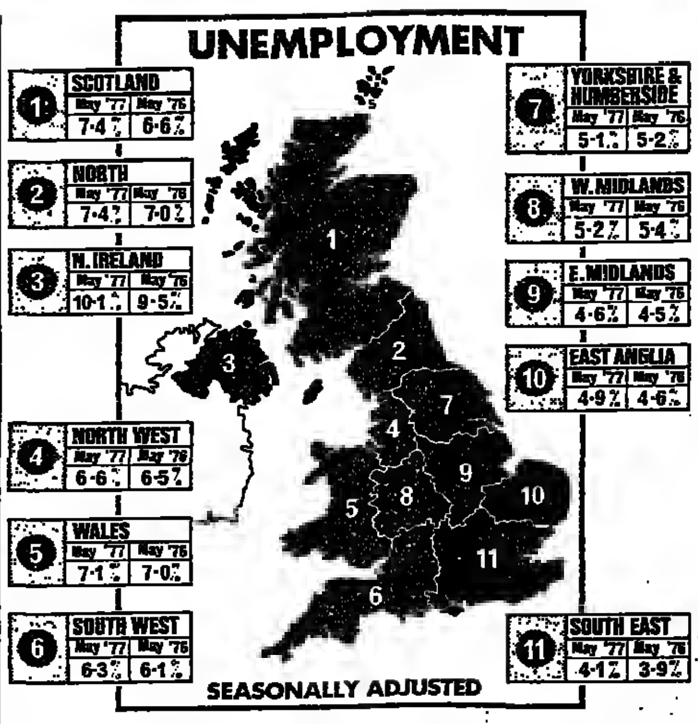
SALES OF engineers' cutting tools last year were worth £150m., a nominal increase of 12.3 per cent. on 1975 but down by £8.7m. or 8.5 per cent. in real terms.

Activity in the industry jogged along the bottom of the demand trough for most of last year, but towards the end of the year there were genuine signs of improvement with manufacturers switching back to full-time working.

Up to the last quarter, production in real terms was down by 11.6 per cent. on the same period of 1975 but by the end of the year the decline had been reduced to 8.5 per cent.

"Production is expected to increase further in 1977 but no one anticipates a return to boom conditions," the National Federation of Engineers' Tool Manufacturers said in a report presented at yesterday's annual meeting in Sheffield.

Despite the favourable exchange rate, exports suffered because of the recession in many overseas markets. Although they rose by 14.1 per cent. to £35.8m. in nominal terms, they fell by 5 per cent. in real terms compared with 1975.




**The drop in unemployment in the last month has been well spread throughout the country, but the regional breakdown of the figures shows that the disparities remain large.**

**Earlier in the recent economic cycle there were some signs that the differences were being narrowed, with the areas of traditional high unemployment gaining relatively to the South East where the proportion out of work has been lower. Scotland appeared to be receiving a particular benefit from the impact of North Sea oil.**

**Recent months, however, have seen a renewed rise in the high unemployment areas of Scotland and Northern England, and the latest figures indicate little change in the distribution.**

# U.S. expansion 'to continue'

BY DAVID FREUD, INDUSTRIAL STAFF

THE U.S. economy could continue the expansion of the last two years until the end of the decade, according to an American economist.

Mr. Edgar Fiedler, vice-president, economic research, of the Conference Board, said in London yesterday that the U.S. had its best chance for a long time to achieve what he described as "an elongated cycle."

The Board, an independent non-profit-making U.S.-based organisation to promote better understanding of business principles, was conducting a discussion of U.S. economic policies and their implications for its trading partners.

Mr. Fiedler said that the March and April statistics were quite clear in showing an advance in the broad aggregates. The upward momentum seemed well established, and there was no crisis of confidence that would tend to turn round the improvement.

There was a clear indication of growth, but no indication of an explosion. Growth was expected to be 6 per cent. The underlying rate of inflation should hold steady, also at about 6 per cent.

The U.S. had its best chance for a long time to achieve an elongated cycle. There were five factors in his assessment:

● The growth rate was not "exceeding the speed limit."

● There was a healthy economic scepticism in the consumer and business world.

● There was enough capacity to allow the U.S. to grow at 6 per cent. this year and 5 per cent. next year while avoiding bottlenecks.

● All major markets had been in balance. They had not developed the stresses and strains normal in the later stages of the cycle.

● Moderate economic policies were in existence. The targets of the Federal Reserve Authority were moderate by any standards.

Dr. Harald Malmgren, former U.S. special representative for trade negotiations, said in his address on U.S. trade policy that there was no new substance in the London summit declaration two weeks ago.

The hard issues, such as agricultural policy, aids to industry and Government purchasing policies, had been subject to no meaningful progress.

There were a number of different cases brought for action concerning Japanese televisions. The most dangerous was the countervailing duty case. If the courts found the case proved it would make imports into the U.S. from any country in which there was an indirect sales type tax vulnerable to countervailing duty action, and potentially heavy penalties. A case had already been brought against the European VAT system.

Mr. R. A. Randall, President of the Board, speaking on current U.S. political developments, said that Congress had assumed major powers in the wake of the Vietnam war, and Watergate and it would not give them back.

"There is an adversary relationship between the Administration and Congress and the fact that they belong in the same party has not relieved it," he said.

# High marginal tax rate theories under attack

BY MICHAEL LAFFERTY, CITY STAFF

A SHARP attack on the notion that high marginal tax rates breed social justice came yesterday from Mr. Reg Pickerill, president of the Institute of Taxation.

He told members at the Institute's annual meeting in London that successive governments had not appreciated that high marginal rates of tax would lead only to more tax avoidance and the provision of more fringe benefits.

This in turn led to "anti-avoidance legislation, further schemes of avoidance, further provision of benefits and increasing marginal tax rates."

### 'Cuts needed'

The "merry-go-round existence" would be brought to an end only by the reduction of the high marginal tax rates.

High marginal tax rates had been imposed "because of the mistaken idea of parliamentarians that tinkering with the tax system will produce social justice.

"It never has, and it never will. It only produces the hotchpotch of legislation which politely is called the Taxes Acts.

"This massive burden of legislation, which is full of anomalies and ambiguities, is constantly being adjusted without any regard for other tax legislation, and Government after Government not only reverses what its predecessors had ordained was good for us, but year after year reverses what it ordained was good for us itself," Mr. Pickerill said.

# Accountancy rebellion put to test

BY MICHAEL LAFFERTY

THE extent of grass-roots support for the rebellion within the English Institute of Chartered Accountants against making Current Cost Accounting (CCA) compulsory will be tested at a special meeting of the institute in London on July 6.

The meeting will consider a motion, signed by over 400 accountants who are opposed to the implementation of CCA, which was delivered to the institute yesterday.

The institute intends to fight the motion and a letter setting out the reasons why the institute council thinks the motion should be rejected will be sent to members shortly.

● Mr. Kenneth Sharp, head of the Government accountancy service, is to head a working party to consider the position of smaller businesses and Current Cost Accounting.

# Customs men accused of VAT 'slur'

Financial Times Reporter

COMPLAINTS that the Customs and Excise authorities often disregard company accounts in making Value Added Tax assessments have been taken up by the accountancy bodies.

The accountants have told Customs and Excise officials that some of their members regard the practice as an unfair reflection on their competence, and, in many cases, on the honesty of the business concerned.

Some accountants even claimed that where accounts were disregarded and an additional assessment was made, traders often paid the increased sum because they could not afford to fight it.

Customs and Excise say in reply that any trader who disagrees with a decision should ask for it to be reconsidered in particular, he should do this if he can provide further information or if there are facts which appear not to have been taken into account.

# Schoolchildren 'starve for 18 hours'

CHILDREN WHO went without breakfast were less likely to do well at school than those who started the day with a meal, a nutritionist said yesterday.

Many children were fasting for almost 18 hours by going from an evening meal one day to school lunch the next.

At school, there was evidence that a lack of breakfast led inevitably to lack of scholastic performance, Dr. Derek Miller, of the department of nutrition at London University's Queen Elizabeth College, said in London.

Dr. Miller was speaking after the announcement of the results of a survey commissioned by Kellogg's, the breakfast cereal company.

Nine million Britons started the day on an empty stomach, according to the survey.

## ENTERTAINMENT GUIDE

CC—These theatres accept certain credit cards by telephone or at the box office

OPERA & BALLET

[illegible]

THEATRES

[illegible]

CINEMAS

[illegible]

CONCERTS

[illegible]

ART GALLERIES

[illegible]

CLUBS

[illegible]

## BOND DRAWINGS



## RESIDENTIAL PROPERTY



## OVERSEAS PROPERTY



## COMPANY NOTICES



## CONTRACTS AND TENDERS



## TRAVEL



## PLANT AND MACHINERY



## OBITUARY

SCHAEF on 21st May, 1977, suddenly in hospital, William, aged 51, loved husband of Zena and son of Margaret Joan and Robert Schaef. Service at Golders Green Crematorium, on 26th May at 2.00 p.m. Flowers to 28 Grosvenor Court Mansions, W.2.

## PUBLIC NOTICES

WEST LOTHIAN DISTRICT COUNCIL

£0.6m. Bills issued 25 May, 77, due 24 November, 77, at an average rate of 7¾%. Applications totalled £3.8m. Total outstanding £0.6m.

# WALL STREET + OVERSEAS MARKETS + CLOSING PRICES

## Off 4 on inflation concern

BY OUR WALL STREET CORRESPONDENT

NEW YORK, May 24.

STOCKS on Wall Street extended the recent wide-ranging fall to-day, but some bargain hunting narrowed the loss a little near the close.

After falling about 25 points in the previous three trading days, the Dow Jones Industrial Average weakened around 6 more to-day before ending a net 4.66 off at a new 1977 low of 912.40. The last time the Average closed lower was on January 9, 1976, when it finished at 911.73. The NYSE All Common Index further declined 29 cents to $53.44, while losses outpaced rises by 1,070 to 398. Turnover amounted to 20.05m. shares, compared with 18.29m. yesterday.

Analysts said interest rates and inflation remain the major concern of investors, noting the Federal Reserve's confirmation on Friday that it had voted to tighten credit.

They also cited the U.S. Trust chairman's forecast of further interest rate rises, and new uncertainty about Mid-East stability following a Rightest Party Election victory in Israel.

The Fed's credit tightening subsequently prompted the Nation's Commercial Banks to raise their prime lending rates to 6½ per cent. from 6¼.

Texas Instruments, which introduced three new calculators, lost $¾ to $83½. Firestone Tire and Rubber declined $⅞ to $19¼ after reporting virtually "flat" second-quarter earnings. Deere shed $⅞ to $32¼.

Cole National shed $⅞ to $10¼ after lower first-quarter net earnings but a forecast of record 1977 earnings.

THE AMERICAN SE Market-Value Index fell 0.84 more to 113.23, with declines outnumbering advances by 420-to-190. Volume 2.01m. (1.88m.) shares.

Houston Oil, the most active issue, declined $1½ to $31⅞.

### TUESDAY'S ACTIVE STOCKS

| | Stocks traded | Closing price | Change on day |
|---|---|---|---|
| Georgia-Pacific | 274,200 | 29½ | −¼ |
| Bank America | 238,800 | 22⅞ | — |
| Avis | 220,900 | 14⅜ | −⅜ |
| Boeing | 203,200 | 51⅞ | −⅞ |
| British Petroleum | 167,500 | 18 | −1 |
| Brunswick | 165,800 | 14⅛ | −¼ |
| Monroe Auto Equip. | 155,400 | 11 | +1⅛ |
| Duke Power | 132,300 | 22⅜ | +1 |
| Caesars World | 131,800 | 7 | +1½ |
| Occidental Petrol. | 120,000 | 27⅛ | — |

## OTHER MARKETS

### Canada depressed

Canadian stock markets were sharply lower in light trading yesterday. The Toronto Composite Index fell 12.1 to 990.7, reaching its lowest point since January 12. The Metals and Minerals Index lost 21.7 to 1,072.4, while Golds was 38.6 down at 963.3 and Oils and Gas 12.3 lower at 1,103.3.

Slater Steel eased $¼ to $8 on lower earnings and a dividend cut.

PARIS—Higher in thin trading despite a strike call by unions representing Bourse workers.

Electricals and Foods were substantially better, while Stores and Metals also gained ground.

Among Foreign stocks, Americans led a general decline in line with Wall Street's overnight fall, with only Copper's gaining ground.

BRUSSELS—Share prices fell strongly across the board, reflecting overnight on Wall Street, stocks being little influenced by the four-Party coalition agreement to form a new Belgian Government.

Against the trend, Petrofina rose Frs.10 to Frs.4170, but its U.S. and Canadian units were lower. Societe Generale Bank were another exception, improving Frs.45 to Frs.2550. Bekaert "B" were unchanged at Frs.2040 despite predicting favourable results for 1977.

U.K. and French issues rose, but German, Dutch and U.S. stocks fell. Gold shares were steady to lower.

AMSTERDAM—Weaker over a broad front. Losses in Dutch Internationals included Royal Dutch, down Fls.0.4, and Akzo, off Fls.0.7, but Unilever edged higher.

Elsewhere, KLM shed Fls.1.7, Slaven Burgensbank Fls.3.4, and Nationale Nederlanden Insurance Fls.1.9.

State Loans also eased.

GERMANY — Leading shares closed up to DM3 lower on buying reluctance, set off by Wall Street's overnight weakness and the fall in the Bond market.

Among larger losers were Mercedes, down DM6, Preussag, DM5.5 cheaper, and Schering, off DM4.

Public Authority Bonds showed falls to DM0.40, with the Regulating Authorities buying DM10.6m.-worth of stock. Mark Foreign Loans were also easier.

OSLO—Quiet and little changed.

COPENHAGEN—Tended lower in a fair trade.

VIENNA—Held around previous day's levels in selective active trading.

SWITZERLAND—The market declined in a moderate turnover. Banks retreated over a fairly broad front. Swissair, however, rose Frs.2 to Frs.667 after recent weakness, while irregular Financials had Bally up Frs. 55 at Frs1295 on active demand.

Engineerings eased following a survey on Swiss machinery producers, BBC "A" losing Frs.10.

Dollar stocks eased, while Dutch Internationals were barely steady. Germans lost ground.

SPAIN — Some improvement noticed, mainly in Banks and Utilities, as the Index came off the year's low.

MILAN Stocks fell further to new 22-year "lows" in slightly more active trading.

Government plans to reform dividend tax failed to encourage sentiment, with operators concerned that the anticipated removal of anonymity of large share holdings could further dampen investors' interest.

ANIC recovered slightly to L175.5. But almost all other Industrial and Financial leaders were lower.

JOHANNESBURG—Gold shares eased in moderate trading as European Bullion indications continued to drift.

HONG KONG — The market eased slightly in very quiet trading.

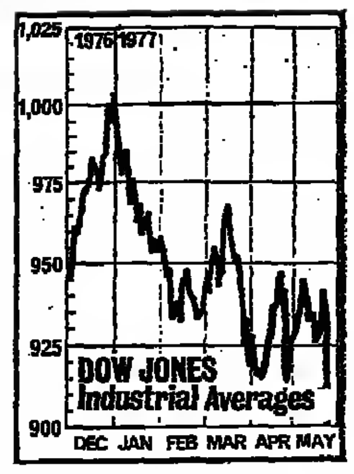
Jardine Matheson, however, rose 10 cents to $HK16.10, while Hong Kong Bank, Hong Kong Land, Hutchison and Swire Pacific were each unchanged. Wheelock fell 2.5 cents to $HK2.60.

AUSTRALIA — Prices lost further ground ahead of the release of the Fox Report on Uranium and in reaction to the National wage increase decision.

Uraniums led the fall, with Pancontinental weakening $A1.60 more to $A11.40, while Queensland Mines shed 15 cents to $A2.80 and Kathleen Investments 10 cents to $A1.65.

TOKYO—Mostly lower. Volume about 150m. (100m.) shares.

Investors were generally reserved ahead of a crop of results from major companies expected this week onwards.




## Indices

### NEW YORK —DOW JONES

| | May 24 | May 23 | May 20 | May 19 | May 18 | May 17 | 1977 High | 1977 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Industrial | 912.40 | 917.06 | 926.46 | 926.46 | 941.21 | 936.46 | 999.75 (3/1) | 912.40 (24/5) | 1051.70 (11/1/73) | 41.22 (2/7/32) |
| Home B'nds* | 91.32 | 91.39 | 91.37 | 91.42 | 91.46 | 91.51 | 93.37 (3/1) | 90.69 (7/3) | — | — |
| Transport | 242.55 | 244.01 | 245.05 | 246.16 | 246.64 | 245.72 | 246.64 (18/5) | 221.61 (25/2) | 279.88 (7/2/69) | 13.23 (8/7/32) |
| Utilities | 110.56 | 110.94 | 111.74 | 111.84 | 111.95 | 111.58 | 111.95 (18/5) | 104.97 (25/2) | 163.32 (20/4/69) | 10.58 (28/4/42) |
| Trading vol. 000's | 20,050 | 18,290 | 18,950 | 21,280 | 27,880 | 22,280 | — | — | — | — |

* Basis of index changed from July 1.

| Ind. div. yield % | May 20 | May 13 | May 6 | Year ago (approx.) |
|---|---|---|---|---|
| | 4.69 | 4.70 | 4.57 | 3.80 |

### STANDARD AND POORS

| | May 24 | May 23 | May 20 | May 19 | May 18 | May 17 | 1977 High | 1977 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| *Industrials | 107.75 | 109.27 | 109.74 | 110.27 | 110.74 | 110.21 | 118.92 (3/1) | 107.54 (26/4) | 134.64 (11/1/73) | 35.2 (30/6/32) |
| †Composite | 97.67 | 98.16 | 98.46 | 98.66 | 100.30 | 98.77 | 107.00 (3/1) | 97.11 (26/4) | 125.85 (11/1/73) | 4.40 (1/6/32) |

| | May 18 | May 11 | May 4 | Year ago (approx.) |
|---|---|---|---|---|
| Ind. div. yield % | 4.34 | 4.40 | 4.33 | 3.42 |
| Ind. P/E Ratio | 10.37 | 10.22 | 10.37 | 13.75 |
| Long Gnvt. Bond yield | 7.72 | 7.80 | 7.71 | 5.85 |

### N.Y.S.E. ALL COMMON

| May 24 | May 23 | May 20 | May 19 | 1977 High | 1977 Low |
|---|---|---|---|---|---|
| 53.44 | 53.75 | 54.40 | 54.59 | 57.87 (4/1) | 52.99 (25/4) |

Rises and Falls — May 24: Issues Traded—1,905; Up—398; Down—1,070; Same—437; New Highs 18; New Lows 100

| | | May 24 | May 23 | May 20 | May 19 | 1977 High | 1977 Low |
|---|---|---|---|---|---|---|---|
| MONTREAL | Industrial | 172.44 | — | 175.05 | 175.73 | 186.47 (17/3) | 172.44 (24/5) |
| | Combined | 173.59 | — | 175.82 | 176.29 | 182.75 (16/3) | 173.59 (24/5) |
| TORONTO | Composite | 990.7 | — | 1002.9 | 1004.2 | 1032.5 (16/5) | 981.6 (12/5) |
| JOHANNESBURG | Gold | 139.4 | 142.0 | 143.5 | — | 192.5 (7/3) | 139.4 (24/5) |
| | Industrials | 177.1 | 177.5 | 178.2 | — | 186.8 (7/1) | 169.1 (22/4) |

| | May 24 | Previous | 1977 High | 1977 Low |
|---|---|---|---|---|
| Australia (a) | 464.76 | 467.04 | 489.71 (20/5) | 419.68 (16/2) |
| Belgium (c) | 93.21 | 93.56 | 99.12 (10/1) | 92.61 (20/2) |
| Denmark (d) | 105.66 | 106.12 | 107.92 (9/5) | 96.96 (6.1) |
| France (e) | — | 46.7 | 56.4 (7/1) | 43.5 (10/5) |
| Germany (f) | 782.9 | 768.7 | 793.7 (3/5) | 712.5 (10/5) |
| Holland (g) | 87.5 | 88.5 | 93.2 (4/5) | 81.2 (26/1) |
| Hongkong (h) | 441.43 | 440.70 | 452.17 (11/5) | 415.46 (14/3) |
| Italy (k) | 60.64 | 61.12 | 73.71 (6/1) | 60.64 (24/5) |
| Japan (m) | 377.35 | 377.29 | 383.98 (6/5) | 364.70 (7/4) |
| Singapore (n) | 245.20 | 246.47 | 290.29 (10/1) | 242.26 (3/5) |

| | May 24 | Previous | 1977 High | 1977 Low |
|---|---|---|---|---|
| Spain (p) | 88.07 | 87.75 | 102.37 (1/3) | 87.75 (20/5) |
| Sweden (c) | 390.55 | 394.34 | 416.62 (22/3) | 359.10 (4/2) |
| Switzerl'd (r) | 290.3 | 292.9 | 307.8 (3/5) | 280.5 (3/8) |

Indices and base dates (all base values 100 except NYSE All Common — 50, Standards and Poors — 10 and Toronto 300-1,000, the last-named based on 1975). (a) Sydney All Ord. (b) Belgian SE 31/12/63. (d) Copenhagen SE 1/1/73. (e) Paris Bourse 1961. (f) Commerzbank December 1953. (g) Amsterdam, Industrial 1970. (h) Hang Seng Bank 31/7/64. (k) Milan 2/1/73. (m) Tokyo New SE 4/1/68. (n) Straits Times 1966. (p) Madrid SE 11/12/76. (o) Stockholm Industrials 1/1/58. (r) Swiss Bank Corp. 31/12/58. (u) Unavailable. ‡ Excluding bonds. * 400 Industrials. † 400 Inds., 40 Utilities, 40 Finance and 20 Transport. (c) Closed.

## OVERSEAS SHARE INFORMATION

Investment premium based on $2.60 per £1—111¼% (110¼%)

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax.
◆ DM50 denom. unless otherwise stated. ♥ Ptas.500 denom. unless otherwise stated. ♣ Kr.100 denom. unless otherwise stated. ф Frs.500 denom. unless otherwise stated. ¥ Yen 50 denom. unless otherwise stated. $ Price at time of suspension. a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross div. %. h Assumed dividend after scrip and/or rights issue. k After local taxes. m % tax free. n Francs: including Unilac div. p Nom. q Share split. s Div. and yield exclude special payment. t Indicated div. u Unofficial trading. v Minority holders only. y Merger pending. * Asked † Bid. § Traded. ‡ Seller. z Assumed. xr Ex rights. xd Ex dividend. xc Ex scrip issue. xa Ex all. Δ Interim since increased.

### NEW YORK

| Stock | May 24 | May 23 | Stock | May 24 | May 23 | Stock | May 24 | May 23 | Stock | May 24 | May 23 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Corning Glass | 67⅛ | 27 | Johns Manville | 34⅝ | 34¾ | Revlon | 38⅛ | 32 |
| | | | CPC Int'n'tional | 49¼ | 49½ | Johnson Johnson | 66⅞ | 26¾ | Reynolds Metals | 42½ | 42½ |
| | | | | | | Johnson Control | 43⅝ | 43½ | Reynolds R. J. | 68¼ | 66 |
| | | | | | | | | | Rich'son Merrell | 20⅞ | 21 |
| | | | | | | | | | Rockware Inter. | 32⅞ | 32⅞ |
| | | | | | | | | | Rhom & Haas | 48¼ | 49 |

| Stock | May 24 | May 23 |
|---|---|---|
| Woolworth | 21⅝ | 21⅛ |
| Wyly | 1½ | 1¾ |
| Xerox | 45⅝ | 45⅝ |
| Zapata | 11 | 11¼ |
| Zenith Radio | 23⅞ | 24 |
| Chile 3% 1993 | †91½ | †91½ |
| U.S. Treas 4% 1980 | †93¾ | †93¾ |

### GERMANY ◆

| May 24 | Price Dm. | + or − | Div. % | Yld. % |
|---|---|---|---|---|
| A.E.G. | 100.9 | −0.2 | — | — |
| Allianz Versich. | 410 | −5 | 18 | 2.2 |
| B.M.W. | 242 | −3 | 20 | 4.0 |
| BASF | 166.3 | −2 | 17 | 5.1 |
| Bayer | 143.8 | −2.6 | 10 | 5.6 |
| Bayer Hypo. | 268 | −2.5 | 20 | 3.7 |
| Bayer Vereinsbk. | 268 | +1 | 20 | 3.1 |
| CibaInl.Ned.wrts | 240 | −5 | — | — |
| Commerzbank | 187.9 | −1.1 | 18 | 4.9 |

## Pound weaker

Sterling came under pressure in the foreign exchange market yesterday afternoon, and the authorities gave fairly heavy support, which market sources estimated to be in excess of $10m. The pound had tended to ease before lunch, probably as a reflection of the recent narrowing of the interest rate differential between London and New York, but the real pressure developed in the afternoon. The Bank of England may have given assistance to the pound in the morning, and during the afternoon was unable to prevent sterling falling below $1.7170 against the dollar. It closed at $1.7165-1.7169, a fall of 5 points on the day, while the pound's index on the basis of the Washington Currency Agreement, as calculated by the Bank of England, was unchanged at 61.6, after improving to 61.7 at noon and in early dealings.

Discounts on forward sterling widened sharply, with the three-month pound's discount against the dollar finishing at 1.75 cents, compared with 1.20 cents previously.

The U.S. unit was slightly firmer on balance against other major currencies, with its trade-weighted average depreciation since the Washington Agreement, as calculated by Morgan Guaranty, narrowing to 1.00 per cent. from 1.04 per cent.

The French franc gained ground against the dollar, despite a one-day nationwide strike in France in protest at Government economic policy. The French authorities may have given support to help the franc finish at Frs.4.9525 compared with Frs.4.9570 on Monday.

Gold fell $1¼ to $144¾-145¼ in moderate trading, after a general decline in metals overnight in New York. The krugerrand's premium over its gold content widened to 3.53 per cent. from 2.30 per cent. for domestic delivery, but narrowed to 3.19 per cent. from 3.33 per cent. in the international market.


### SPECIAL DRAWING RIGHTS RATES

| One SDR is equal to | May 24 | May 23 |
|---|---|---|
| Sterling | 0.676042 | 0.676263 |
| U.S. dollar | 1.16090 | 1.16165 |
| Belgium franc | 41.9288 | 41.9174 |
| Deutschemark | 0.74402 | 0.74044 |
| French franc | 0.75632 | 0.75984 |
| Italian lira | 1028.58 | 1029.08 |
| Japanese yen | 322.266 | 323.098 |
| Dutch guilder | 2.85756 | 2.85335 |
| Swedish krone | 6.06327 | 6.06378 |
| Swiss franc | 2.92547 | 2.92443 |

Values are for currencies against the SDR as calculated by the International Monetary Fund in Washington.

### EXCHANGE CROSS-RATES

| May 24 | Frankfurt | New York | Paris | Brussels | London | A'sterdam | Zurich |
|---|---|---|---|---|---|---|---|
| Fr'nk'ft | — | 2.3635-40 | 47.63-70 | 6.64-65 | 4.060-065 | 95.97-96.09 | 93.80-85 |
| N.York | 42.43-45 | — | 20.18-19 | 2.7725-50 | 1.7165-1169 | 40.64-68 | 39.75-77 |
| Paris | 209.59-10.09 | 4.9525-9645 | — | 13.712-746 | 8.505-525 | 200.95-1.43 | 195.44-94 |
| Brussel | 15.27-30 | 36.11-14 | 7.28-30 | — | 61.99-62.06 | 14.64-68 | 14.32-35 |
| London | 4.05-06 | 1.7165-69 | 8.60-51 | 61.85-95 | — | 4.221-23¼ | 4.31¼-33¼ |
| Am'd'm | 104.13-18 | 2.4602-27 | 49.835-885 | 2.9125-75 | 4.2255-85 | — | 97.66-71 |
| Zurich | 106.59-66 | 2.5175-82 | 50.79-82 | 6.977-990 | 4.3125-55 | 102.21-26 | — |

U.S. $ in Montreal U.S. $ = 105.05-07 Canadian Cents.

Canadian $ in New York. C$=95.20-22 U.S. cents. U.S. $ in Milan 880.80-886.00.

Sterling in Milan 1520.75-1521.75.

### EURO-CURRENCY INTEREST RATES*

### GOLD MARKET

### FOREIGN EXCHANGES

### FORWARD RATES

### OTHER MARKETS

### TOKYO ¶

### AUSTRALIA

### BRAZIL

### OSLO

### JOHANNESBURG

### AMSTERDAM

### BRUSSELS/LUXEMBOURG

### PARIS

### SWITZERLAND ●

### SPAIN ▼

### COPENHAGEN ♣

### STOCKHOLM

### MILAN

### VIENNA

### CANADA

# FARMING AND RAW MATERIALS

## U.S. doubts on world wheat pact

WASHINGTON, May 24.

LEADERS OF the U.S. Agriculture Department, farm organisations, and the grain trade, have agreed that the U.S. should actively go after a new international wheat agreement. But at the same time they recognised that it may not be attainable.

This consensus emerged after talks between farm and trade leaders and Mr. Dale Hathaway, Assistant Agriculture Secretary for International Affairs.

Mr. Hathaway said the U.S. is not in a position to be very flexible at next month's London meeting of the International Wheat Council, because it does not know with what authority it can enter negotiations until new farm legislation is settled (not expected before late August or September).

Agriculture Secretary, Mr. Bob Bergland, who attended the last 15 minutes of the meeting said it is extremely important for consumers and producers to try to work out an international arrangement or understanding.

But he conceded that negotiations may only result in some kind of "gentlemen's agreement," with no court or other jurisdiction to maintain the rules.

Reuter

## Hunt heirs win Court ruling in soya dispute

BY JOHN WYLES NEW YORK, May 24.

THE TRIAL of strength between the U.S. Commodity Futures Trading Commission and heirs of the late oil millionaire H. L. Hunt over soyabean futures trading appears to be running in the Texas family's favour after recent court decisions.

Pending the resumption of a full hearing on its allegations on the purchasing activities of members of the Hunt family, the commission has been trying to win a court ruling restricting the quantity of soyabeans that may be delivered to the family against futures contracts that expired this month.

With the Hunt family widely reported to be taking delivery of up to 7m. bushels of soyabeans, the commission unsuccessfully tried in a Federal district court and then in an appeals court to cut delivery to a total of 3m. bushels.

Judges turned the appeal down, however, and unless the commission decides to make a fresh appeal hearings will resume at district court level on the commission's original charges and the Hunt family's counter charges.

The district court hearings are raising issues of far greater significance than the tactical skirmish over deliveries against May contracts. Among other things, the hearings are a major test of the commission's credibility and its future activities could be crucially influenced by the way in which the courts interpret the futures trading laws.

The Commission argues that the Hunt family were acting together, and therefore, improperly earlier this year when they speculatively bought more than 22m. bushels of soyabean futures.

The Commission's rules limit a single speculator to contracts for 3m. at any one time and futures traders are greatly interested in how the courts define "trading together." The Commission claims that because many of the Hunt contracts were bought concurrently and the Hunts' accounts all gave the same mailing address they were acting in concert and were, therefore, subject to the single speculator rule.

Futures trade traders are also interested in the Hunt family's counter claim that the 3m. bushels limit is arbitrary and a decision on this point could affect all soyabean futures speculators.

The Hunt family's futures holdings are reckoned to be worth more than $200m. and to amount to more than one third of the soyabeans the U.S. is expected to have on hand by August 31 when the 1977 harvest starts.

The family strongly denies that they were acting together in making their purchases. "I did not think we did anything wrong," says Bunker Hunt. "I am not saying we don't talk to each other, of course we talk to each other. We have similar ideas."

## EEC still against sugar quotas

BY DAVID EGLI GENEVA, May 24.

TALKS SEEKING to agree the terms of a new International Sugar Agreement remain stalled. With only three days to go before the six-week conference is due to conclude, the European Community is attempting to present its position as one of flexibility thus absolving itself of any responsibility in the failure to break the present impasse.

But pushed, the EEC spokesman acknowledged that the Community will not accept export quotas under an international sugar agreement and does not at this stage intend to change its attitude.

"The EEC is making much of its proposals for a 4.5m. tonne sugar stabilisation stock and an 8 to 20 cents a lb price range to gloss over its refusal to entertain the concept of quotas."

The third vital element in the Community position, besides the price range proposals and the stabilisation stock, to be divided into two equal parts between exporters and importers, is what is called the "absolute defence of the minimum price."

But the Community, unlike other major sugar producers and importers, believes that a stockpiling policy alone is capable of withdrawing excess merchandise which weighs down the market in an exaggerated manner.

While the U.S. would like to see the reduction of quotas at a stocking or destocking should be is dipping towards the agreed minimum price for sugar, the Community argues that such a mechanism would not work because exporters would fail to agree on the percentage cuts that each should take.

However while attacking the quota mechanism, the Community appears to recognise that its own proposal for a stabilisation stock may not be large enough to hold a seriously disrupted market on the lower price side.

Within the context of the proposed price range it believes that stocking or destocking should be initiated by a management committee at point two cents within the price range, that is at 10 or 18 cents but this element is negotiable.

The community believes that special arrangements, including the Lome Convention, should not constitute a disruptive factor with regard to the free market. On the contrary, "they should strengthen this market."

## U.S. bans sweetener

WASHINGTON, May 23.

THE FOOD and Drug Administration will not allow a sweetener made from berries of the West African "miracle" fruit tree to be used in the U.S.

Miralin Corporation asked the FDA in 1973 to allow use of the sweetener in chewing gum, confectionery, puddings and fruit-flavoured drinks. The FDA said Miralin went out of business in 1975.

The FDA said it did not have enough information about the sweetener to determine if it would be safe. It was natural rather than artificial, and thus would not be a saccarin substitute, it said.

Reuter

## Cocoa and coffee lower

By Richard Mooney

COCOA AND COFFEE prices fell sharply on the London futures markets yesterday though there was no fundamental news to explain either decline.

The fall in cocoa was seen as a reaction against the recent £600 a tonne upsurge. This rise had been encouraged by a tightness of nearby supplies resulting from shipment problems in West Africa.

These problems are by no means over, but the tightness has now eased sufficiently to London market. By the prompt profit-taking in the close the July position had slipped £158.5 to £2,585 a tonne.

Coffee prices traded in a narrow range for most of the day but fell sharply near the close. The July position ended £110.5 lower at £3,534.5 a tonne. Dealers said the total lack of physical offtake was the main reason for the fall.

A General Foods warning that U.K. instant coffee prices could soon rise by 50p a quarter-pound jar, is thought to have had little effect on the market. Mr. Geoffrey Westcott, the company's managing director, said a small jar could cost over £1.70 by August compared with £1.20 now and only 69p last June. General Foods manufactures Maxwell House instant coffee.

## Brazilian iron ore for Iraq

RIO DE JANEIRO, May 24.

BRAZIL will sell 5.3m. tonnes of iron ore pellets for direct reduction to Iraq worth a total $150m. over five years, Cia Vale do Rio Doce (CVRD) sources said.

The contract was signed by Industry and Commerce Minister Angelo Calmon De Sa during a recent visit to Bagdad. They said it does not involve the sale of oil by Iraq to Brazil.

Iron ore sales during the first three years will be made on a cost-and-freight basis, with an average price of $40 a tonne guaranteed. The remainder of the contract will be half c and f basis and half f.o.b.

Reuter

## THAI DREDGER

BANGKOK, May 24.

THE BREAKDOWN of Billiton, Thailand's only tin suction dredger, will not affect Thai tin production as the repair work is being done in the monsoon season when dredgers cannot operate at sea, trade sources said.

Reuter

## COMMODITY OPTIONS

## U.S. controls threat angers London

BY JOHN EDWARDS, COMMODITIES EDITOR

THE SPECIAL relationship between Britain and the U.S. is likely to come under severe strain this week in one area at least — commodity option trading.

Starting to-day, the U.S. Commodity Futures Trading Commission is holding public hearings on its proposed pilot programme for commodity options. But even before the start of the hearing which has been extended from one day to two and possibly three days, the commission (CFTC) has managed to ruffle the feathers of London commodity traders and organisations.

One prominent London commodity company, Rudolf Wolff, issued a warning last week that the interim regulations, proposed for U.S. option trading by the CFTC, was a "serious potential threat to the freedom and viability" of all non-American commodity exchanges.

It claimed that if the London Exchanges had to be "recognised" by the CFTC before it would permit them to handle U.S. options, this could be the thin end of the wedge leading to unwarranted interference by the CFTC on commodity futures markets outside the U.S.

Other traders might not go so far in their opposition, but there is no doubt of general hostility in London towards possible interference by the CFTC on options and futures trading generally.

The feeling is that the CFTC, which was created three years ago to establish greater control over the booming commodity futures trading in the U.S., is using options as a means of extending its influence to foreign-based markets. Possibly, it is implied, to weaken competition from abroad.

Interest in commodity option trading has grown rapidly during recent years in line with the surge of increased business in commodity markets as a result of the wild fluctuations in raw materials prices. Options can be used by the trade, as an alternative means of "hedging" against unpredictable price fluctuations or to reduce potential stock losses.

But they are particularly popular with speculators wanting to participate in commodity futures trading without running the risk of huge financial losses. The idea is that the speculators pay a special premium to purchase the right to either buy ("call" option) or sell ("put" option) or to do either (double option) at a known price within a specified period ahead.

If the market moves in the direction anticipated then the option is taken up, but if the market goes in the wrong direction, the option is allowed to lapse and the speculator's loss is confined solely to the premium paid.

It is a particularly attractive method of introducing "outsiders" into commodity market investment in a relatively painless way, and the wild price fluctuations of the past few years have yielded some useful profits for option traders. As a result the use of options has grown enormously in London.

However the situation in the U.S., where there is greater interest generally in commodity futures trading, has been somewhat confused. Because of scandals in the past, option trading was banned on the U.S. markets regulated previously by an offshoot of the U.S. Department of Agriculture. But option trading was permitted in the so-called, non regulated, international commodity markets.

However as a result of further scandals and financial skullduggery when the CFTC took over control of all the U.S. futures markets it decided to ban option trading completely until a new programme, giving more protection to option buyers, could be formulated.

In the meantime, however, a way round the ban was found by commodity trading companies offering so-called "London" commodity options based on the London futures markets—"backed by the Bank of England" according to some of the less respectable companies, who used high pressure selling tactics to extract money from gullible speculators.

The scope for increasing premiums to well above the rates actually being charged is the most obvious area for "milking" the gullible speculator without actually breaking the law.

Bowing to a crescendo of complaints in the U.S. about the hard sell for London options, often promising guaranteed profits, the CFTC has worked out proposals for a three-year pilot programme aimed at introducing strict regulations on option trading in the U.S. on "recognised" commodity exchanges both in the U.S. and abroad.

These proposed regulations, to be discussed at this week's hearings, have four main provisions. The segregation of option commodity funds; a mechanism for the clearing of trades; registration of the names of option customers in the U.S. and a general dissemination of information about option price movements.

London traders object to several of these proposals. A major point of dispute is that the regulations provide that a "double" segregation of funds is required for options traded on exchanges outside the U.S. which London companies claim will work heavily in favour of the U.S. markets, especially as all transactions on "foreign" commodity option exchanges will have to go through a member of a U.S. exchange.

The registration of names is also said to be impracticable in that options often pass through several hands. A big sticking point, especially for the London Metal Exchange, is that "recognised" commodity exchanges are required to have a clearing system—something which the LME as a principals' contract does not have despite increasing pressure to introduce one.

But the greatest opposition in London is to the requirement that to be "recognised" as a suitable Exchange for U.S. option trading, the market has to show it will provide specified protection to U.S. option customers; provide copies of terms and conditions to be offered, and —most galling of all—provide specific information about any changes in its rules and regulations to the CFTC on a continuing basis.

London commodity traders fear that compliance with these proposals would lead the way to even greater interference from an organisation they want nothing to do with. Existing regulations are quite onerous enough, it is claimed, without also being subject to control from a bureaucratic organisation overseas.

They claim the CFTC should be able to stamp out illegal or undesirable option trading practices without going to such inordinate lengths. In any event, it is argued, a U.S. Government body should not be given power to interfere in what are international markets.

## Rally in metal markets

By John Edwards, Commodities Editor

METAL PRICES rallied on the London Metal Exchange yesterday, as buying interest appeared after the recent steep fall in values. Copper cash wirebars closed £3 up at £772.5 a tonne after having fallen near to £760 at one stage.

The recovery came despite news that other major U.S. copper producers had decided to cut their domestic price from 74 to 71 cents a pound following a similar reduction by Asarco and Phelps Dodge some weeks ago.

It was also reported that U.S. copper output rose in the first two months of the year to 156,800 tonnes compared with 150,900 tonnes for the same two months in 1976.

Lead values were boosted by rumours that U.S. producers were planning to raise their domestic prices. The market shrugged off news that RSR Corporation workers at its Dallas secondary lead plant had signed a new three-year labour contract and return to work.

The Aluminium Company of America said it is presenting a proposed new three-year contract agreement to the United Steelworkers (USW) of America.

# COMMODITY MARKET REPORTS AND PRICES

## BASE METALS

COPPER—Steadier on the London Metal Exchange after recent falls. Forward metal opened at £793.5, rising steadily to £793 and German buying and short covering ... At this level there was some profit-taking and a weaker Comex opening ... closing on the Kerb at £782. Turnover: 11,775 tonnes.

| COPPER | a.m. Official | + or — | p.m. Unofficial | + or — |
|---|---|---|---|---|
| Wirebars | | | | |
| Cash | 772.5-3 | +4.25 | 772-3 | +5 |
| 3 months | 793.5-4 | +5.5 | 791.5-2 | +2.25 |
| Settlem't | 773 | +4.5 | | |
| Cathodes | | | | |
| Cash | 763.5-4 | +4.75 | 764.5-5 | +4.75 |
| 3 months | 783.5-4.5 | +4.25 | 785.5-6 | +4.25 |
| Settlem't | 764 | +5 | | |
| U.S. Smt. | | | 71.4 | |

| TIN | a.m. Official | + or — | p.m. Unofficial | + or — |
|---|---|---|---|---|
| High Grade | £ | £ | £ | £ |
| Cash | 5670-5 | +10 | 5710-20 | +50 |
| 3 months | 5770-80 | +17.5 | 5800-10 | +67.5 |
| Settlem't | 5675 | +10 | | |
| Standard | | | | |
| Cash | 5670-5 | +10 | 5710-20 | +50 |
| 3 months | 5765-5 | +12.5 | 5800-10 | +57.5 |
| Settlem't | 5675 | +10 | | |
| Straits E. | †1462 | | | |
| New York | | | 457.00 | +3.50 |

I.G. Index 01-351 3466 Three months Tin 5780-5845

| LEAD | a.m. Official | + or — | p.m. Unofficial | + or — |
|---|---|---|---|---|
| Cash | 566-6 | +1.75 | 568-9 | +5 |
| 3 months | 565-5 | +2.75 | 565-7 | +4.75 |
| Settlem't | 566 | +1 | | |
| U.S. Spot | | | | |

| ZINC | a.m. Official | + or — | p.m. Unofficial | + or — |
|---|---|---|---|---|
| Cash | 326.5-7.5 | +.5 | 325.5-9.5 | +.5 |
| 3 months | 336.5-7 | +.5 | 338-9 | +.25 |
| S'ment | 327.5 | +.5 | | |
| Prim. West | | | 34 | |







## COCOA

Values eroded with buyers backing away in front of long liquidation, reports Gill and Duffus.

| COCOA | Yesterday's Close | + or — | Business Done |
|---|---|---|---|
| No. 6 Con'ct | | | |
| May | 2510.0-50.0 | -195.25 | 2610.0-2580 |
| July | 2585.0-80.0 | -158.5 | 2735.0-2580 |
| Sept | 2450.0-55.0 | -158.0 | 2580.0-2440 |
| December | 2199.0-84.0 | -151.0 | 2320.0-2185 |
| March | 2113.0-16.0 | -129.0 | 2225.0-2110 |
| May | 2085.0-70.0 | -128.0 | 2175.0-2080 |
| July | 2030.0-64.0 | -97.75 | 2040.0-2040 |

Sales: 5,234 (4,617) lots of 10 tonnes. International Cocoa Agreement (U.S. cents per pound): Daily price May 24: 185.54 (183.67). Indicator price May 24: 15-day average 184.27 (182.00).

## RUBBER

SLIGHTLY STEADIER opening on the London physical market.

| No. 1 R.S.S. | Yesterdays close | Previous close | Business Done |
|---|---|---|---|
| June | 50.85-51.00 | 51.50-52.25 | 51.00 |
| July | 51.50-52.00 | 52.40-53.50 | — |
| Jly-Sep | 53.00-53.10 | 53.50-54.00 | 53.20-53.05 |
| Oct-Dec | 55.15-55.20 | 55.85-56.00 | 55.50-55.20 |
| Jan-M'r | 57.40-57.45 | 58.06-58.15 | 58.15-58.85 |
| Apr-June | 59.55-59.40 | 59.90-60.00 | 59.55-58.20 |
| Jly-Sep | 61.55-61.65 | 62.00-62.30 | 61.50 |
| Oct-Dec | 63.70-63.80 | 64.20-64.50 | — |
| Jan-Mar | 65.50-66.00 | 66.40-66.75 | — |

Sales: 110 (188) lots of 15 tonnes.

Physical closing prices (buyers) were: Spot 50.5p (same): June 49.5p (49.65); July 50.5p (50.65).

## SOYABEAN MEAL

With physicals a little firmer, market opened unchanged to stronger on news of the revised stocks in U.S. Chicago opened firmer, but eased slightly during afternoon. Reflecting this and with some profit-taking, prices eased £2 down from the highs of day, SNW Commodities reports.

| | Yesterday Close | + or — | Business Done |
|---|---|---|---|
| | £per tonne | | |
| June | 170.50-74.0 | +1.75 | |
| August | 177.80-77.4 | +2.40 | 178.50-74.80 |
| October | 155.50-55.6 | +4.45 | 155.00-50.00 |
| December | 147.60-48.4 | +4.10 | 148.50-44.70 |
| February | 147.50-47.0 | +4.15 | 147.50-45.00 |
| April | 148.00-49.0 | +5.15 | 148.90-47.00 |
| June | 149.00-49.8 | +5.95 | 149.50-47.60 |

Sales: 154 (205) lots of 100 tonnes.

## SILVER

Silver was fixed 2.2p an ounce lower for spot delivery in the London bullion market yesterday, at 268.45p. U.S. cent equivalents of the fixing levels were: spot 461.5, down 3.3c; three-month 465.7e, down 4.3c; six-month 474.0c, down 5c; and 12-month 490.3c, down 5.1c. The metal opened at 268.3-267.2p (457-459c) and closed at 268-269p (459-461c).

| SILVER per troy oz. | Bullion fixing pricing | + or — | L.M.E. p.m. close | + or — |
|---|---|---|---|---|
| Spot | 268.45p | -2.2 | 268.65p | -0.3 |
| 3 months | 275.85p | -2.1 | 274.25p | -0.8 |
| 6 months | 280.6p | -2.5 | | |
| 12 months | 295p | | | -1.5 |

LME—Turnover 277 (180) lots of 10,000 ounces. Morning: Cash 268.4; three months 275.7, 75.8, 75.6, 75.5. Kerbs: three months 275.6. Afternoon: Three months 275.5, 3.4, 3.5, 4.5, 4.3, 4.4. Kerbs: Three months 274.5.

## SUGAR

LONDON DAILY PRICE (raw sugar) £126.00 (same) a tonne cif for May-June shipment. White sugar daily price was £125.50 (same).

Market around overnight levels, but small sell-at-market orders found few buyers and losses of some 150 points were quickly recorded. At lower levels buyers predominated and decline was halted, although volume of business was very light. Final prices were some 50 points above lows, C. Czarnikow reports.

| Sugar Pref. Comm. Conn. | Yesterday's Close | Previous Close | Business Done |
|---|---|---|---|
| | £ per tonne | | |
| Aug | 130.75-31.00 | 130.70-30.85 | 132.00-30.25 |
| Oct | 135.70-35.80 | 135.70-35.95 | 135.00-35.80 |
| Dec | 138.30-38.50 | 136.00-37.00 | 138.00-36.00 |
| March | 139.60-39.75 | 139.75-40.00 | 141.00-39.50 |
| May | 141.80-42.00 | 141.50-41.75 | 142.25-41.50 |
| Aug | 143.00-43.30 | 144.25-42.50 | 143.70-42.60 |
| Oct | 144.70-44.75 | 145.25-45.75 | 145.00-43.75 |

Sales: 1,153 (4,225) lots of 50 tonnes.

Tate and Lyle ex-refinery price for granulated basis white sugar was £226.90 (same) a tonne for home trade and £194.00 (same) for export.

## COFFEE

Trade and local selling were main contributory factors in the slightly easier opening, reports Drexel Burnham. Market remained quiet and unchanged until the close when trade and local jobber liquidation pressured prices to about the lows of the day, £90-£110 down on balance. There was no further change in the Brazilian weather.

| COFFEE | Yesterday's Close | + or — | Business Done |
|---|---|---|---|
| | £ per tonne | | |
| May | 3500-510 | -105.5 | 3620-535 |
| July | 3534-535 | -110.5 | 3680-525 |
| September | 3515-520 | -104.0 | 3616-495 |
| November | 3495-500 | -95.0 | 3590-490 |
| January | 3460-490 | -90.0 | 3560-490 |
| March | 3460-490 | -92.5 | 3580-515 |
| May | 3460-490 | -90.0 | 3550-495 |

Sales: 7,314 (4,312) lots of 5 tonnes. ICO Indicator prices for May 23 (U.S. cents per pound): Colombian Mild Arabicas 311.00 (313.00); unwashed Arabicas 325.00 (same); other Mild Arabicas 303.08 (303.08); Robustas 284.00 (283.00). Daily average 296.79 (292.00).

## GRAINS

THE BALTIC—Small quantities of EEC wheat traded for August shipment to East Coast U.K. ports, but other imported grains were neglected at generally unchanged offering levels.

Wheat: Canadian Western Red Spring No. 1, 13½ per cent., July £84.25, Tilbury. U.S. Dark Northern Spring No. 2, 14 per cent., May £78.46, June £78.80, July £78.75, August £79.50, transhipment East Coast. U.S. Hard Winter No. 3 Ord. June £66.85, July £67.85. EEC Feed May £80.50, June £81, July £81.50, transhipment East Coast.

Maize—No. 3 Yellow American/French option May £86.75, June £86.75, transhipment East Coast. South African Yellow July £71 sellers Glasgow. South African White August £71 quoted Glasgow. Barley: EEC Feed Canadian No. 1 ... flour: £118.70 (£114.34).

HGCA—Ex-farm spot prices May 24: Feed barley—N.E. England £84.00, Berks and Oxon £83.00.

LONDON GRAIN FUTURES MARKET (GAFTA)—Wheat, steady. Closing: Sept. 88.65, Nov. 91.00, Jan. 93.80, March 96.50. Business: Sept. 88.90-88.50, Nov. 91.25-90.85, Jan. 94.00-93.75, March 96.70-96.50. Sales: 154. Barley, steady. Closing: Sept. 82.80, Nov. 85.05, Jan. 87.55, March 89.95. Business: Sept. 82.95-82.65, Nov. 85.30-84.90, Jan. 87.60-87.55, March 90.00-89.90. Sales: 162.

EEC IMPORT LEVIES—Effective to-day in order current levy plus June, July, August, previous in brackets in units of account per tonne. Common wheat: 94.38, rest nil (94.38, rest nil). Durum wheat: 140.86, rest nil (same). Rye: 79.21, rest nil (79.24, rest nil). Barley: 87.13, nil, nil, 0.74 (86.19, nil, nil, 0.74). Oats: 77.48, rest nil (same). Maize (other than hybrid for seeding): 77.81, rest nil (77.95, nil, nil, 0.81). Millet: 74.38, rest nil (same). Grain sorghum: 81.96, rest nil (75.36, nil, nil, 0.52). Flour levies: Wheat or mixed wheat and rye flour: 144.13 (same). Rye flour: 118.70 (114.34).

## WOOL FUTURES

LONDON—Unchanged to a shade dearer, reports Bache.

(Pence per kilo)

| Australian Greasy Wool | Yesterday Close | + or — | Business Done |
|---|---|---|---|
| May | 228.0-29.0 | +1.5 | 230.0-29.0 |
| July | 228.0-30.0 | +1.5 | |
| October | 234.0-40.0 | ..... | — |
| December | 236.0-42.0 | ..... | — |
| March | 244.0-45.5 | +0.25 | — |
| May | 247.0-53.0 | +0.50 | — |
| July | 248.0-58.0 | +1.0 | — |
| October | 252.0-60.0 | +3.0 | — |

Sales: 34 (15) lots of 1,500 kilos.

SYDNEY GREASY (in order buyer, seller, business, sales)—Micron Contract: July 344.0, 344.5, 344.0-342.8, 113; Oct. 341.0, 341.5, 341.5-340.0, 19; Dec. 341.5, 341.8, 341.5-339.0, 31; March 342.0, 343.5, 342.1-340.0, 135; May 345.0, 346.0, 346.0-341.8, 45; July 348.5, 348.5, 347.0-343.5, 90; Oct. 341.5, 348.5, 348.0-344.0, 21. Sales: 294.

## MEAT/VEGETABLES

SMITHFIELD (pence per pound)—Beef: Scotch killed sides 46.0 to 49.0; Eire hindquarters 58.0 to 59.0, forequarters 32.0 to 35.0.

Veal: Dutch hinds and ends 90.0 to 92.0.

Lamb: English small 53.0 to 56.0, medium 50.0 to 54.0, heavy 48.0 to 51.8. Imported frozen: NZ PL 42.0 to 43.0, PM 41.0 to 42.0, PH 40.0 to 41.0, YLs 41.0 to 42.0.

Pork: English, under 100 lbs 34.0 to 38.0, 100-120 lbs 32.0 to 34.5.

MEAT COMMISSION—Average fatstock prices at representative markets May 24: GB cattle 62.72p per kg.l.w. (+2.03); U.K. sheep 132.8p per kg.est.d.c.w. (—1.6); GB pigs 53.4p per kg.l.w. (—0.4). England and Wales—Cattle numbers down 7.8 per cent, average 62.83p (+1.65); Sheep up 22.8 per cent, average 133.0p (—1.7); Pigs up 1.1 per cent, average 53.5p (—0.4). Scotland—Cattle down 15.4 per cent, average 62.46p (+2.74); Sheep down 12.4 per cent, average 141.5p (+5.0); Pigs up 15.5 per cent, average 52.0p (—0.8).

COVENT GARDEN (prices in sterling)—Imported produce: Oranges—S. African: 3.90-4.50; Californian: 88/138 3.80-4.60; Jaffa: Valencias 3.40-4.80; Cyprus: Ovals/Valencias 20-kilos 3.50-4.40. Moroccan: Valencias 3.60-4.20; Egyptian: 3.50-4.00; Spanish: Vernas 3.80-4.50. Grapefruit—Jaffa: 3.18-3.45; Cyprus: 3.30-4.00; S. African: per carton all sizes 3.25. Odds 20p less. Outspan 4-boxes 2.40-3.20. Lemons—Italian: 4.30-4.50; Spanish: Boxes 120/140 3.20-5.50, trays 30/40s 1.50-1.80; S. African: 5.00-5.50; Californian: 5.30-5.80. Apples—S. African: Boxes approx. 40-lb Golden Delicious 7.30-7.50, Granny Smiths 8.20-8.40. White Winter Pearmain 7.00-7.20; York Imperial 7.60-8.20, Starking 8.00-8.20; New Zealand: approx. 40-lb Sturmer Pippin 1.50; Italian: Per pound Starking 0.13, Golden Delicious 0.15, Rome Beauty 0.13; French: 20-lb Golden Delicious 3.20-3.40, Jumble Pack, per pound approx. 13p-14p; Argentine: Granny Smiths 40-lb 9.20-9.40. Pears—Italian: Passacrassane 14-lb 1.40-1.50; S. African: Beurre Bosc cartons 4.80-4.50, Packham's Triumph cartons 5.50-6.36, cases 5.80-7.00, Winter Nelis cartons 4.60, Josephines cartons 6.20. Apricots—Spanish: per pound 0.30-0.36. Cherries—Per pound Italian: 0.60-0.65. Melons—Colombian: Green 4.30; Spanish: Charente 5.00. Tomatoes—Jersey: 2.60-2.70; Guernsey: 2.80; Dutch: 2.70. Onions—Australian: 44-lb approx. 3.80-4.00; Chilean: cases 3.20-3.80; New Zealand: 20-kilos 4.50. Canary: 4.80. Carrots—Cyprus: 10-kilos 4.00; French: 20-lb 4.60. Potatoes—Cyprus: 3.70; Aubergines—Canary: 3.50; Kenya: 1.80; Chicory—Belgian: 5-lbs 4.00-4.30. Chillies—Kenya: 5-lbs 1.80. Capsicums—Egyptian: 0.30-0.40; Dutch: ... Kenya: ... 30-kilos 4.70; Melons: 5.20; Majorca: 3.40; Cyprus: Spring crop 5.10; Egyptian: 5.00; Canary: ... per pound 0.11; Cabbage—Dutch: White 7.50. Sprouts—Per pound 0.11. Cucumbers: Dutch 2.50 per bag. Californian: 6.90. Avocados—S. African: 2.00-3.90. Asparagus—Hungarian: 0.55 per pound.

English produce: Apples—Per pound Bramley's Seedling 0.08-0.10. Potatoes—Per bag 3.00-4.00. Carrots—Per net 1.80-1.90. Cabbage—Per net 3.20. Cos 2.20-2.40. Spring Greens—Per net 3.50-4.00. Cauliflowers—Per 12, Kent 3.00-3.50. Lincoln 2.60. Mushrooms—Per pound 0.40-0.45. Rhubarb—Per pound natural 0.07. Cucumbers—Per box 10 to 20 1.50-1.60. Tomatoes—Per 12-lb, English 2.20-2.60. Celery—Per 12 8.00, 15 3.20, 18 3.00, 20/24s 3.80-4.00. Strawberries—Per ½-lb 0.60-0.75.

## JUTE

DUNDEE—Steady. Prices c. and f. U.K. for August-September shipments: BWB £251, BWC £239, BWD £229. Tossa: BTA £251, BTC £240, BTD £231. Calcutta goods quiet. Quotations c. and f. U.K. for May shipments 10 ozs 40-inch £8.61, 7½ ozs £8.56 per 100 yards. June £8.68, £8.61. July-September £8.70, £8.65. "B" twills £24.82, £25.23, £25.88 for the respective shipment periods. Yarn and cloth quiet but prices tending easier.

## PALM OIL

LONDON PALM OIL—After easier morning in wake of weaker overnight Chicago market, prices firmed slightly in steady afternoon. This trend reflected in physical sector, Sime Darby reports. Closing: August 384-383½, Oct. 385½-354½, Dec. 379-376, Feb. 377-370, April 377-370, June 376-370. Sales: 13 lots.

## COTTON

COTTON, Liverpool—Spot and shipment sales amounted to 97 tonnes, bringing the total for the week so far to 750 tonnes. Miscellaneous purchases in Russian, Turkish and Columbian qualities brought a modest offtake. The call for additional supplies was light, F. W. Tattersall reports.

★

GRIMSBY FISH—Supply good, demand good. Prices at ship's side unprocessed per stone: Shelf cod £3.20-£3.80; codlings £3.00-3.50; large haddock £4.00-£4.30, medium £3.40-£3.90, small £2.00-£3.00; large plaice £4.00, medium £3.80-£4.10, best small £2.80-£3.50; skinned dogfish medium £4.20, large £5.50; lemon soles £6.50; rockfish £2.00-£2.40; reds £1.50-£2.20; saithe £1.40-£2.20.

★

HIDES—Birmingham. Prices generally declined sharply. Considerable quantities were unsold, particularly in the lighter weights. Ox 31-35½ kilos 58p per kilo, 26-30½ kilos 62p, 22-23½ kilos 67p. Light cows 56p. No calf offered.

## U.S. to probe farm chemical

WASHINGTON, May 24.

THE U.S. Environmental Protection Agency has started a public investigation into toxaphene, one of the most widely used insecticides on farms.

It said there are studies that indicate toxaphene may be too hazardous to people or the environment to allow its continued use.

The agency said it issued the notice because tests show it increases tumours in mice and rats. According to one study almost half of an amount applied remained in sandy soil for 14 years, and it can retain its toxic effects in water for three to six years it is estimated.

Reuter

## PRICE CHANGES

Prices per tonne unless otherwise stated.

| | May 24 1977 | + or — | Month ago |
|---|---|---|---|
| **Metals** | | | |
| Aluminium | £630 | ......... | £650 |
| Free Market (cif) | $1040-60 | ......... | $1,050-40 |
| Copper | | | |
| Cash Wire Bars | £772.5 | +5.0 | £807.5 |
| 3 months do. do. | £791.15 | +2.25 | £829.5 |
| Cash Cathode | £764.75 | +4.75 | £798 |
| 3 months do. do. | £785.75 | +4.25 | £820.25 |
| Gold Troy oz. | $145.125 | -1.2 | $147.825 |
| Lead Cash | £568.5 | +5.0 | £390.5 |
| 3 months | £565.5 | +4.75 | £391.6 |
| Nickel | £0,151 | | £5,121 |
| Free Market (cif) | $2.07-.15 | ......... | $2.08-.15 |
| Platinum (b) troy oz. | £97 | ......... | £97 |
| Free Market | £88.7 | -0.2 | £92.45 |
| Quicksilver(76lb)(z) | $120 130 | -5.0 | $135-142 |
| Silver Troy oz. | 268.4p | -2.25 | 277.85p |
| 3 months | 275.25p | -2.1 | 284.2p |
| Tin Cash § | £5.715 | -50.0 | £5,917.5 |
| 3 months | £5,805 | +62.5 | £5,725 |
| Wolfram 22.04 lb. cif | $174 184 | .. ...... | $178-184 |
| Zinc Cash § | £395 | +0.5 | £386.5 |
| 3 months | £352.5 | +0.25 | £387.75 |
| Producers | $795 | ......... | $786 |
| **Oils** | | | |
| Coconut Malayan | $650ℎ | -12.0 | |
| Groundnut | £617 | ......... | £617 |
| Linseed Crude(v) | £435 | ......... | £479 |
| Palm Malayan | | ......... | $668 |
| **Seeds** | | | |
| Copra Philip | $480 | | $550 |
| Linseed Can. No. 1 | £167w | -10.5 | £281 |
| **Grains** | | | |
| Barley EEC | £80.5n | ......... | £88 |
| Home Futures | £81.7m | ......... | £84.5 |
| Maize | | | |
| French No. 3 Am | £85.75 | ......... | £85.25 |
| S.A. Yellow | £71n | ......... | |
| Wheat | | | |
| No. 1 Red Spring | £84 25 | ......... | £87.25 |
| No. 2 Hard Winter | £66.85 | ......... | £70.55 |
| Australian (f.a.q.) | | ......... | |
| English Milling (k) | £95 | ......... | £95 |
| Cocoa Shipment | £2,584 | -179.0 | £2,428 |
| Futures July | £2,585 | -156.5 | £2,259.7 |
| Coffee Futures | | | |
| July | £3,534.5 | -110.5 | £3,625 |
| Cotton 'A' Index cent | 72.4 | -0.7 | 83.85 |
| Jute LJABC(d)(x) | | | $4.14 |
| Rubber kilo | 50.6p | ......... | 51p |
| Sisal EASL | £600 | ......... | £600 |
| Sugar (Raw) | £125 | ......... | £142 |
| Wooltops 64s kilo | 286p | ......... | 290p |
| Cloves (Madagascar) | | | |
| Pepper White | $2,800 | +50.0 | $2,825 |
| Black | $2,450 | +50.0 | $2,500 |

* Nominal. † Seller. ‡ Unquoted. § Unofficial close. ♣ Indicative price. ○ Seller's quotation. b U.K. and Commonwealth refined. c Uganda Robusta standard grade indicative prices f.o.b. Mombasa U.S. cents a pound. d Bangladesh white "C." e Ex-tank London/Hull. h June-July. j April-June. k July. l May-July. m September. s May-June. t June. w July-August. n August. z Per ton.

### FINANCIAL TIMES

| May 24 | May 23 | Month ago | Year ago |
|---|---|---|---|
| 270.65 | 269.68 | 270.71 | 218.47 |

(Base: July 1, 1952=100)

### REUTER'S

| May 24 | May 23 | Month ago | Year ago |
|---|---|---|---|
| 1661.9 | 1661.5 | 1738.5 | 1464.5 |

(Base: September 18, 1931=100)

### DOW JONES

| Dow Jones | May 24 | May 23 | Month ago | Year ago |
|---|---|---|---|---|
| Spot | 426.51 | 425.78 | 431.01 | 338.51 |
| Futures | 398.77 | 408.51 | 403.94 | 338.51 |

(Average 1924-25-26=100)

### MOODY'S

| Moody's | May 24 | May 23 | Month ago | Year ago |
|---|---|---|---|---|
| Sple Commty | 929.2 | 953.7 | 925.0 | 874 |

(December 31, 1931=100)

COPRA, Philippines—May and June $490 resellers a tonne cif North Euro ports.

## U.S. Markets

NEW YORK, May 24.

Cocoa—Ghana and Bahia spots unavail. July 155.00 (161.00), Sept. 173.50 (151.50), Dec. 162.95, March 155.60, May 151.30, July 146.50, Sept. 142.30 nom. Sales: 1,334.

Coffee—"C" Contract: July 303.00-303.50 (307.23), Sept. 298.25 (303.25), Dec. 291.61-297.50, March 256.00, May 253.25 asked. Sales: 1,320.

Copper—May 61.20 (60.30), June 61.20 (60.30), July 61.60, Sept. 62.50, Dec. 63.60, Jan. 64.20, March 65.10, May 65.90. Sales: 3,500.

Cotton—No. 2: July 70.65-70.50 (70.15), Oct. 69.40-69.45 (68.55), Dec. 66.71-66.80, March 67.25, May 67.75-67.95, July 67.95-68.00, Oct. 67.30 nom. Sales: 6,725.

♦Gold—May 143.60 (144.90), June 144.00 (145.30), July 144.60, Aug. 145.30, Oct. 146.76, Dec. 148.20, Feb. 149.50, April 151.40, June 153.10, Aug. 154.80. Sales: 3,399.

†Lard—Chicago loose 23.75 (same nom.). New York prime steam unavail. 125.25 nom.).

††Maize—July 247-246¼ (243), Sept. 249¼-240¼ (246½), Dec. 252¼-253, March 260¼-260¼, May 264¼.

‡Platinum—July 154.30 (151.30), Oct. 156.70 (154.00), Jan. 158.10, April 162.00, July 162.50, Oct. 166.30. Sales: 410.

‡Silver—May 459.50 (457.00), June 459.70 (457.20), July 462.90, Sept. 467.40, Dec. 473.20, Jan. 477.80, March 483.20, May 488.60, July 494.10, Sept. 499.50. Sales: 11,900. Handy and Harman spot unavail. (460.00).

Soyabeans—July 946-946 bid (916), Aug. 928½ bid (998½), Sept. 822 bid, Nov. 750-760, Jan. 764½-765, March 770½-771, May 774½, July 775½.

bSoyabean Meal—July 260.50 bid (250.56), Aug. 259.20-259.20 bid (249.20), Sept. 230.00-230.00 bid, Dec. 208.50-209.00, Dec. 201.00-200.50, Jan. 201.00, March 203.00, May 204.00, July 205.50.

Soyabean Oil—July 31.25-31.25 bid (30.25), Aug. 31.10 bid (30.10), Sept. 30.25 bid, Oct. 28.97-28.97 bid, Dec. 28.15-28.15 bid, Jan. 27.78 bid, March 27.45 bid, May 27.14, July 26.85.

Sugar—No. 11: Spot 8.73 (same), July 9.09-9.07 (9.10), Sept. 9.31-9.30 (9.33), Oct. 9.40-9.42, Jan. 9.50-9.65, March 9.61-9.62, May 9.66-9.66, July 9.66-9.66, Sept. 9.72-9.73, Oct. 9.78-9.80.* Sales: 3,670.

Tin—449.00-465.90 asked (446.00-435.00 asked).

**Wheat—July 252¼-251½ (249½), Sept. 259½-259 (256½), Dec. 268-268½, March 279½, May 280½-281.

WINNIPEG, May 24. ††Rye—May 97.56 bid (95.00 bid), July 90.30 bid (97.20 asked), Oct. 102.20 bid, Nov. 101.50 nom., Dec. 00.00 nom.

cOats—May 94.90 bid (94.50 bid), July 87.20 (90.50 bid), Oct. 85.00 bid, Dec. 83.00 nom.

$Barley—May 103.10 bid (102.20 bid), July 97.10 bid (96.70), Oct. 92.30 asked, Dec. 92.60 asked.

dFlaxseed—May 298.40 bid (298.00), July 298.50 asked (294.40 bid), Oct. 294.50, Nov. 292.30 asked, Dec. 250.50 nom.

Wheat—SCWRS 13.5 per cent. protein content cif St. Lawrence 355½ (unavail.).

♦ Estimated for 31 weeks. * Includes £118.5m receipts and £20.7m. repayments on index-linked issue to date this year, and £185.5m. receipts and £0.4m. repayments for similar period last year. ♥ Includes £33.9m. receipts and £0.5m. repayments on index-linked issue to date this year, and £6.7m. receipts and nil repayments for similar period last year. † Includes £34.9m. increase on Retirement Certs. ♦ Includes £3.5m. index-linked increase on Retirement Certs. ‡ Includes £5.5m. increase in Retirement Certs. ‡ Includes bonds sold at maturity (£24.4m. to date this year, and £57.8m. for same period last year).

## SWEDISH SMELTER

A furnace breakdown at the Roenskaer smelter of Boliden Metall AB, in Sweden, is posing a threat to copper and lead production, it was announced in Stockholm last night.

No force majeure declaration on deliveries has been necessary, but if production cannot be resumed shortly, such action may become unavoidable.

## STOCK EXCHANGE REPORT

# Return of buyers leaves index up 15.7 at 472.2

## Gilt-edged restrained by renewed inflationary fears

Account Dealing Dates

Option

| *First Dealings | Declarations | Last Dealings | Account Day |
|---|---|---|---|
| May 9 | May 19 | May 20 | May 31 |
| May 23 | Jun. 9 | Jun. 10 | Jun. 21 |
| Jun. 13 | Jun. 23 | Jun. 24 | July 5 |

* " New time " dealings may take place from 9.30 a.m. two business days earlier.

Already in a rising trend during the morning, share prices closed on a buoyant note with the index staging its biggest single-day rise for over two years. Early buying interest was a continuation of the movement which started in Monday's late trade and was based on rumours that some reflationary statement was imminent. The content of the announcement that the Government's current controls on prices, profit margins and dividends are to be relinquished after July of next year came as a surprise and led to a flurry of activity which resulted in the space of an hour to a near doubling of the price gains which had been established by 2 p.m. This was clearly reflected in the FT 30-share index which was 6.9 up at that time and was showing a rise of 12.7 at 3 p.m.: prices ended a shade below the best but the closing index was 15.7 up at 472.2. Over the previous three trading days, the index had lost 20.9 from last Wednesday's four-year peak of 477.4.

The extent of the gains in leading shares—a third of them ended with rises of 10 to 20 pence—and a fairly sudden reaction in British Funds gave rise to thoughts that something more substantial might be behind the strength in equities than the amendment in the Price Commission Bill, especially in view of the fact that the Government's concession could be revoked at some later stage. To-day sees publication of the Accounting Standards Committee's new exposure draft on the treatment of deferred tax and this could provide the answer because ED 19 is expected to add significantly to company earnings and asset values.

Rises in FT-quoted equities outnumbered falls by about 5-to-2, but gains in secondary issues failed to match those in the leaders as seen in the 2.5 per cent. rise in the FT-Actuaries All-share index at 193.90.

### Gilts erratic

The amendment at the committee stage of the Price Commission Bill brought contrasting sharp reactions in the Gilt-edged market. Despite the rise in U.S. Treasury bill rates, quotations had extended the late overnight improvement and, immediately following the announcement, high-coupon longs were as much as ¾ higher. However, a certain amount of stock was offered possibly on the view that acceptance of the one-year limit on price controls linked with pay restraint carried inflationary implications, and quotations quickly returned to overnight list levels. Eventually, the tone hardened again but there were suggestions that British Funds could be overshadowed by equities while the latter readjust to the recommended changes in standard accounting practices as regards deferred taxation. Corporations were less volatile and gained ½ in places, but Southern Rhodesian bonds drifted one or two points lower awaiting developments in the constitutional situation.

Although the best rates for investment currency were not held, the market became more settled after the recent easiness: up to 112½ per cent. in the early dealings, the premium closed a net ¾ better at 111¾ per cent. Yesterday's S.E. conversion factor was 0.7153 (0.7190).

### Banks dip and rally

Having started the Account on a dull note following adverse Press comment, the big four Banks opened easier again yesterday and were showing modest losses of around 3 or 4 when a rally was engendered by the late general upsurge. As a result, National Westminster, after touching 234p, ended 5 better at 242p, while Barclays were a like amount dearer at 260p, after 254p. Discounts tended to improve and Allen Harvey and Ross rose 15 to 430p in a thin market. Keyser Ullmann, 5 higher at 35p, stood out among Merchant Banks where Fraser Ansbacher ended 2 harder at 9p.

Much of the business in Insurances occurred after 3 p.m. Sun Alliance rose 13 to 473p, Phoenix added 8 at 244p, as did Royals, to 360p, and Commercial Union gained 6 at 137p. C. E. Heath moved up 25 to 380p among brokers where Willis Faber improved 7 to 252p.

Although the level of business was not remarkable, Breweries staged a good revival and closed with widespread gains ranging to 6 as in Bass Charrington at 118p. Guinness moved up 4 to 146p, while similar improvements were seen in Scottish and Newcastle, 55½p, and Whitbread A, 79p. Allied were noteworthy for a rise of 3 to 75p. Distillery concerns were also in good heart, Distillers advancing 7 to 157p.

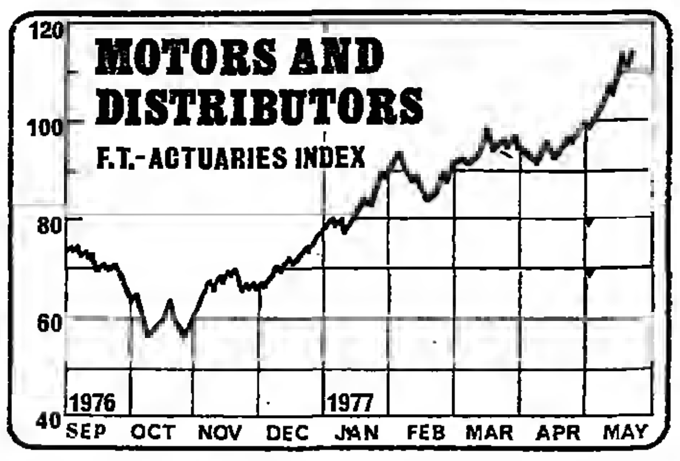
Buildings often showed useful gains after an active trade. Buyers were about for George Wimpey, which improved steadily to finish 6 to the good at 60p, while Marchwiel put on 16 to a 1977 peak of 191p. Benford Concrete Machinery added 4 at 83p as did Crouch Group, at 109p, and Tilbury Contracting, at 240p. Higgs and Hill revived with an improvement of 3 to 66p and London Brick were a like amount dearer at 57p.

A good demand ahead of to-morrow's first-quarter figures left ICI 11 up at 404p, after 408p. Fisons also saw buyers at 367p, up 12, while gains of between 5 and 8 were recorded in Albright and Wilson, 112p, Laporte Industries, 116p, and Alginate Industries, 293p. Revertex hardened 3½ to 91½p on the chairman's optimistic statement. In contrast, Sinrey Bros. fell 8 to 95p, after 83p, on news that the bid discussions with an un-named concern have been terminated.

Store leaders met with a good interest, particularly in the later stages when prices moved forward quite sharply. W. H. Smith "A" jumped 35 in a thin market to 545p, after 550p, and Gussies "A" rose 10 to 236p. Bid hopes lifted House of Fraser 5 to 122p, while Marks and Spencer at 120p, and Mothercare at 282p, rose 4 and 6 respectively. Elsewhere, H. Samuel improved 5 to 147p in reply to the results. Henderson-Kenton added a like amount at 54p and A. Goldberg improved 4 to 56p. Walker and Staff, results due on June 20, edged forward 1½ to 12½p. Forminster, on the other hand, shed 4 to 129p on further consideration of the news that proposals are being formulated for the issue of Preference shares by way of capitalisation of reserves.

### L. Scott weaken

Monday's late announcement of the termination of recent bid discussions brought marked weakness in L. Scott, which reacted to 88p before closing 30 down on the day at 97p. Muirhead also moved against a firm trend in Electricals, easing 10 to 190p on disappointment with the half-yearly figures. In contrast, Reyrolle, 200p, and GEC, 189p, rose 9 and 5 respectively among the leaders, while EMI firmed 6 to 236p. Racal revived with a rise of 10 to 360p and gains of around 5 were marked against Newman Industries, 61p, BICC, 125p, and Lee Refrigeration, 73p. Energy Services closed a trifle harder at 7½p following the preliminary figures.




The upsurge left the Engineering majors with double-figure gains. Spurred again by bid hopes, John Brown improved steadily to finish 11 higher at 210p, while its widely-tipped suitor Hawker, ended 21 to the good at 637p. GKN closed 11 better at 359p and Tubes, after the chairman's encouraging remarks at the annual meeting, were 10 harder at 440p. Elsewhere, Simon added 10 at 195p, reflecting the chairman's confidence over prospects, and Ransome Hoffmann Pollard gained 3½ to 60½p on the higher first-half earnings. Weir Group hardened 3 to 108p on Press comment, while improvements of between 5 and 7 were recorded in Ransome Sims and Jefferies, 135p, International Combustion, 81p, Babcock and Wilcox, 97p, and Lake and Elliott, 53p. Capper Neill edged forward 2 to 88p in front of to-day's preliminary results. In Shipbuilders, Swan Hunter put on 6 to 111p following the interim statement.

Associated Dairies figured prominently in Foods, rising 28 to 282p. Linfood were raised 20 to 200p on small buying in a restricted market, while Cullen's Stores, 90p, and Tate and Lyle, 258p, put on 3 and 8 respectively. Associated Biscuit, however, eased 2 to 63p on the chairman's warning on profit margins. Supermarkets moved into higher ground under the lead of Tesco which moved up 3 to 42p. Wheatsheaf Distribution were 7 up at 100p on the substantially increased earnings. Hotels and Caterers also made headway. Pontin's firmed 1½ to 29p with the help of call-option business, while Grand Metropolitan, 83p, and Wheeler's Restaurants, 150p, put on 4 and 5 respectively.

### Boots outstanding

Reflecting their good dividend cover, Boots were outstanding in miscellaneous Industrials with a rise of 13 to 179p. Others to move ahead for a similar reason included Beecham, 34 to the good at 488p, Glaxo, 18 higher at 512p, and Unilever, 28 up at 482p. More modest gains of around 5 were recorded in Reed International, 219p, and Bowater, 208p. In marked contrast, Hay's Wharf reacted to 142p before closing 26 off on balance at 148p, following termination of the bid talks with Ocean Transport, 6 up at 179p. On the other hand, Lep Group advanced 10 to 180p in a restricted market, while Unilex hardened 3 to 40p in response to the preliminary results. Fine Art rose a similar amount to 39p on the dividend-boosting rights issue. BTR advanced 9 to 239p and Johnson Matthey 15 to 435p, while Rank Organisation encountered further support and put on 6 more to 208p. Morgan Crucible improved 3 to 112p after the full report and Amalgamated Metal hardened a few pence to 264p following the first-quarter figures. Steetley, 200p, and Brooks Wharf, 32p, firmed 4 apiece, but GR Holdings were on offer at 335p, down 10, along with Gallenkamp, 7 cheaper at 278p.

Motors and Distributors were highlighted by the performance of Lucas Industries which improved 19 to 317p. Dunlop were 3 better at 110p ex the rights issue, while the new nil-paid shares opened at 24p premium and closed at 29p premium following a fairly brisk trade. Antocarriers ... Products responded to the full report with a rise of 4 to 74p. Similar gains were seen in Airflow Streamlines, 52p, and Dowty, 141p. In Commercial Vehicles, York Trailer firmed a penny to 44p for a two-day gain of 5 on further consideration of the interim figures.

Thomson, at 570p, retrieved the previous day's fall of 12 in Newspapers where Associated closed 2 dearer at 185p. In Paper/Printings, Bemrose gained 5 to 66p on the dividend-boosting rights issue and Transparent Paper hardened 1½ to 71½p after the annual results.

### Shell active

Oil shares came to life with a flourish, particularly Shell, which moved ahead to close 23 up at 553p, after 555p, on news that dividend controls should last only until July of next year. BP, however, were rather subdued and closed only 4 to the good at 944p, but secondary issues often recorded useful gains. Oil Exploration advanced to 190p before settling at 180p for a rise of 6 on balance, while Ultramar ended a similar amount higher at 186p, after 188p. Tricentrol closed 7 to the good at 163p, having been up to 170p, while Press mention left Siebens (U.K.) 3 dearer at 137p.

Properties traded firmly, but rises in the leaders were modest. MEPC gained 3 to 94p and Land Securities a penny to 189p. Stock Conversion revived with a rise of 8 to 200p, while Chesterfield improved 7 to 205p and rises of around 6 were recorded in Berkeley Hambro, 122p, Great Portland, 268p, United Real, 234p and B. Sumley, 162p. Samuel found support at 80p, up 4, and Churchbury were similarly better at 185p. A brisk trade developed in Town and City, which improved 1½ to 12p.

Lonrho remained in the spotlight in Overseas Traders and rose 3 to 73p following news that the company had lost the management contract for the vast Sudanese sugar project. S. and W. Berisford contrasted with another rise of 3 to 219p, still on the increased dividend and profits plus proposed £13m. rights issue. Elsewhere, James Finlay rose 4 to 208p and Harrisons and Crosfield advanced 12 to 562p.

Although not as good as some other sections, Investment Trusts continued to make progress and closed firmly. Argo Investment improved 6 to 110p, while gains of 3 were seen in Ashdown, 113p, and Caledonia Investments, 258p. Awaiting fresh developments in the bid situation, English and Caledonian rose 5½ to 105½p. Capital issues had Dualvest 4 harder at 176p and Triplevest 5 higher at 120p. Westpool Investment contrasted with a decline of 10 to 95p on the Board's decision to continue as an independent investment trust. Financials presented a speculative rise of 1½ to 15½p in Lamont Holdings.

Shippings were in good fettle and closed at the day's best levels. Furness Withy rose 10 to 284p, while British and Commonwealth, 300p, and P & O Deferred, 169p, put on 4 and 5 respectively. Hunting Gibson were raised 15 to 285p.

Coats Patons rose 4 to 82p in Textiles where Sidlaw, 80p, and Triceville, 35p, both closed 5 to the good. Scott and Robertson responded to sharply-increased earnings with a rise of 7 to 30½p.

Tobaccos played their part in the market upturn, closing firmly following an improved trade. BAT Industries Deferred gained 8 to 268p, while Rothmans, 41p, and Imps, 81p, put on 2½ and 4 respectively.

South African Industrials were notable for a revision of 10 to 116p in Abercom Investments.

### U.K. Financials firmer

Moving against their recent trend London-registered mining Financials responded to the sharp gains in U.K. equity markets. Initially prices were steady but subsequent buying found jobbers short of stock and left prices showing considerable gains.

Selection Trust, which figured prominently in our list of active stocks, recouped most of the previous day's sharp fall and closed 15 higher at 410p, while Charter, 128p, and Gold Fields, 148p, were 7 and 5 better respectively. Rio Tinto-Zinc advanced 8 to 231p despite news at the annual meeting of the extra capital that will be required for the Rossing uranium mine in South-West Africa.

In contrast South African Golds continued to lose ground in the wake of the $1.25 fall in the bullion price to $145.125 per ounce. Heavyweights like West Driefontein, £15½ fell by up to a half-point, while lower priced issues such as East Driefontein, 472p, gave up around 12. The Gold Mines index lost 1.9 more to 103.1.

South African-based Financials mirrored Golds while Platinums eased afresh in line with the free market metal price. Falls of 2 were lows for the year were seen in Lydenburg Platinum 55p and Rustenburg 75p. The recent weakness of the copper price was reflected by Messina which dropped another 4 to a 1977 low of 162p.

The easier overnight trend in Sydney and Melbourne markets caused Australian uranium to open a few pence cheaper, but prices rallied in the afternoon and generally closed showing small gains in front of the Fox environmental report which is expected to-day.

Pancontinental were 9 half-point up on balance at £10¼, Peko-Wallsend 10 better at 525p and Western Mining 5 to the good at 155p.

### FINANCIAL TIMES STOCK INDICES

| | May 24 | May 23 | May 20 | May 19 | May 18 | May 17 | A year ago |
|---|---|---|---|---|---|---|---|
| Government Secs | 70.61 | 70.56 | 70.56 | 71.17 | 71.46 | 71.19 | 62.52 |
| Fixed Interest | 71.14 | 71.07 | 70.99 | 71.18 | 71.19 | 70.97 | 62.66 |
| Industrial Ordinary | 472.2 | 456.5 | 461.2 | 467.8 | 477.4 | 466.2 | 399.0 |
| Gold Mines | 103.1 | 104.0 | 106.2 | 105.5 | 108.5 | 113.2 | 157.9 |
| Ord. Div. Yield | 4.92 | 5.05 | 5.00 | 4.91 | 4.85 | 4.92 | 5.42 |
| Earnings Y'ld % (full) | 15.12 | 15.60 | 15.40 | 15.15 | 14.89 | 15.17 | 15.58 |
| P/E Ratio (net) (*) | 9.87 | 9.37 | 9.62 | 9.76 | 9.95 | 9.76 | 8.47 |
| Dealings marked | 5,988 | 5,820 | 7,044 | 7,152 | 6,954 | 6,727 | 6,572 |
| Equity turnover £m | — | 76.54 | 94.04 | 114.91 | 106.19 | 72.21 | 41.93 |
| Equity bargains total | — | 19,530 | 21,088 | 23,405 | 19,698 | 18,465 | 17,275 |

10 a.m. 462.8. 11 a.m. 460.7. Noon 463.0. 1 p.m. 463.6. 2 p.m. 463.4. 3 p.m. 469.2.

Latest Index 01-246 8026.

* Based on 52 per cent. corporation tax. † Nil=9.60.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

### HIGHS AND LOWS

| | 1977 High | 1977 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|
| Govt. Secs. | 71.48 (18/5) | 60.45 (4/1) | 127.4 (9/1/35) | 49.18 (3/1/75) |
| Fixed Int. | 71.19 (17/5) | 60.49 (4/1) | 150.4 (28/11/47) | 50.53 (3/1/75) |
| Ind. Ord. | 477.4 (18/5) | 357.6 (13/1) | 543.5 (19/5/72) | 49.4 (26/6/40) |
| Gold Mines | 137.4 (7/3) | 96.1 (4/2) | 442.3 (22/5/75) | 43.5 (26/10/71) |

### S.E. ACTIVITY

| | May 24 | May 23 |
|---|---|---|
| —Daily Gilt-Edged | 161.1 | 161.1 |
| Industrials | 212.5 | 256.1 |
| Speculative | 43.3 | 40.6 |
| Totals | 136.3 | 158.4 |
| 5-day Av'ge Gilt-Edged | 162.8 | 165.8 |
| Industrials | 252.5 | 256.1 |
| Speculative | 41.2 | 41.7 |
| Totals | 154.5 | 158.0 |

### ACTIVE STOCKS

| Stock | Denomination | No. of marks | Closing price (p) | Change on day | 1977 high | 1977 low |
|---|---|---|---|---|---|---|
| ICI | £1 | 20 | 404 | +11 | 408 | 325 |
| BATs Defd. | 25p | 11 | 260 | + 8 | 260 | 204 |
| BP | £1 | 11 | 944 | + 4 | 966 | 776 |
| RTZ | 25p | 10 | 231 | + 8 | 247 | 173 |
| Selection Trust | 25p | 10 | 410 | +16 | 500 | 395 |
| Shell Transport | 25p | 10 | 553 | +23 | 556 | 454 |
| Town & City Props. | 10p | 10 | 12 | + 1½ | 12 | 5 |
| Beecham | 25p | 9 | 488 | +34 | 502 | 372 |
| Dunlop "New" | Nil/pd. | 9 | 29pm | — | 29pm | 24pm |
| Hay's Wharf | £1 | 9 | 148 | −26 | 174 | 55 |
| P & O Defd. | £1 | 9 | 169 | + 5 | 175 | 120 |
| BICC | 50p | 8 | 125 | + 6 | 125 | 85 |
| Burmah Oil | £1 | 8 | 81 | + 3 | 83 | 41 |
| Distillers | 50p | 8 | 157 | + 7 | 159 | 120 |
| GKN | £1 | 8 | 359 | +11 | 362 | 277 |

### NEW HIGHS AND LOWS FOR 1977

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1977.

NEW HIGHS (116)

CORPORATION LOANS (1)
BANKS (3)
BEERS (2)
BUILDINGS (6)
CHEMICALS (2)
CINEMAS (1)
DRAPERY & STORES (6)
ELECTRICALS (6)
ENGINEERING (13)
FOODS (3)
HOTELS (3)
INDUSTRIALS (22)
INSURANCE (4)
MOTORS (6)
NEWSPAPERS (1)
PAPER & PRINTING (2)
PROPERTY (5)
SHIPPING (1)
TEXTILES (2)
TOBACCOS (3)
TRUSTS (11)
OILS (2)
OVERSEAS TRADERS (1)
RUBBERS (3)

NEW LOWS (20)

AMERICANS (1)
Xerox Corp.
CANADIANS (1)
Hudson's Bay
BANKS (1)
Bank America
BUILDINGS (1)
British Dredging
INDUSTRIALS (1)
Oce Finance Conv.
MOTORS (1)
Volvo
SOUTH AFRICANS (1)
Primrose
MINES (13)
Durban Deep, East Rand Ptv., Bracken, Leslie, Elandsrand, St. Helena, Gold Fields S.A., Lydenburg, Rustenberg Plat, Amalg'd. Nigeria, Kamunting, Southern Kinta, Messina

### RISES AND FALLS YESTERDAY

| | Up | Down | Same |
|---|---|---|---|
| British Funds | 3 | 6 | 23 |
| Corpns. and Dom. Foreign Bonds | 9 | 4 | 58 |
| Industrials | 480 | 179 | 930 |
| Financial and Prop. | 154 | 91 | 254 |
| Oil | 12 | 6 | 11 |
| Plantation | 10 | 6 | 10 |
| Mines | 22 | 60 | 42 |
| Recent Issues | 20 | 7 | 18 |
| Totals | 772 | 377 | 1,392 |

### BISHOPSGATE PLATINUM LIMITED

and its Subsidiary Company

*(Incorporated in the Republic of South Africa)*

**Interim Report for the half year ended 28th February, 1977**

The unaudited consolidated financial results of the company and its subsidiary for the half-year ended 28th February, 1977, together with the figures for the half-year ended 31st January, 1976 and the thirteen months ended 31st August, 1976 are set out below:—

| | Half-Year ended 28.2.77 R'000 | Half-year ended 31.1.76 R'000 | Thirteen months ended 31.8.76 R'000 |
|---|---|---|---|
| INCOME | | | |
| Dividends received | 784 | 781 | 2 207 |
| Unlisted Investment | 776 | 776 | 2 199 |
| Listed Investment | 8 | 5 | 8 |
| INTEREST RECEIVED | 11 | 15 | 37 |
| | 795 | 796 | 2 244 |
| Expenditure | 29 | 33 | 81 |
| Administration Expenses | 26 | 27 | 66 |
| Taxation | 3 | 6 | 15 |
| NET INCOME AFTER TAXATION | 766 | 763 | 2 163 |
| NET INCOME—cents per share | 3,1 | 3,1 | 3,66 |
| DIVIDENDS PAID—cents per share | 3,0 | 3,0 | 8,7 |
| —amount absorbed | R750 | R750 | R2 175 |

The Group holds 21.6 per cent of the issued Share Capital of Impala Platinum Limited.

It should be noted that the figures for the thirteen months ended 31st August, 1976 include the receipt of five quarterly dividends from Impala Platinum Limited and payment by the company of five quarterly dividends, as compared with a maximum of four such dividends in a normal twelve month accounting period.

K. C. Whyte, Chairman
I. T. Greig
} Directors

**Dividend Announcement**

For the third quarter of the year ending 30th June, 1977, Impala Platinum Limited has declared a Dividend of 20 cents per Share (third quarter 1976—18 cents). In consequence thereof, Bishopsgate Platinum Limited has declared a dividend of 2 cents per Share, notice of which is set out hereunder.

**DECLARATION OF DIVIDEND No. 15**

Notice is hereby given that Dividend No. 15 of 2 cents per Share, being the third Interim Dividend for the year ending 31st August, 1977, has been declared payable to members registered in the Books of the Company at the close of business on 10th June, 1977.

The transfer registers and registers of members will be closed from 13th to 17th June, 1977, both days inclusive and Dividend Warrants will be posted from the Johannesburg and London Transfer Offices on or about 11th July, 1977.

Members paid from the United Kingdom will receive the United Kingdom currency equivalent on 29th June, 1977 of the rand value of their Dividends.

The effective rate of non-resident Shareholders' tax is 15 per cent.

The Dividend is payable subject to conditions which can be inspected at the Johannesburg and London Transfer Offices of the Company.

Vaughan, Key & Payne, Secretaries Per: R. G. E. Billing

| *Registered Office:* | *Transfer Secretaries:* | |
|---|---|---|
| 10th Floor 'Unitas', | Union Corporation Ltd., | M & WM Services, |
| 42, Marshall Street, | 74/78, Marshall Street, | Granby House, |
| Johannesburg, 2001 | Johannesburg, 2001 | 95, Southwark Street, |
| 23rd May, 1977. | | London SE1 0JA. |

### RECENT ISSUES

#### EQUITIES

[illegible]

#### FIXED INTEREST STOCKS

[illegible]

#### "RIGHTS" OFFERS

[illegible]

### OPTIONS TRADED

DEALING DATES

| First Dealings | Last Dealings | Last Declaration | For Settlement |
|---|---|---|---|
| May 17 | May 31 | Aug. 18 | Aug. 31 |
| May 31 | Jun. 20 | Sep. 1 | Sep. 13 |
| Jun. 21 | July 4 | Sep. 15 | Sep. 27 |

*For rate indications see end of Share Information Service.*

Calls were dealt in Town and City, H. Wigfall, Lonrho, Con-solidated Gold Fields, Premier Consolidated Oil, LASMO, Courtaulds, J. Brown, Kode International, Pontin's, British Aluminium, L. Scott and C. H. Beazer. Puts were done in Rank Organisation, Ladbroke Warrants, Common Bros., Natwest Warrants and Vickers, while doubles were arranged in Capital and Counties, F. Sumner, Premier Consolidated Oil, Cumbrian, Reed International, J. Brown and Natwest Warrants in Courtaulds and L. Scott.

### FT—ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

[illegible]

#### FIXED INTEREST PRICE INDICES

| British Government | Tues. May 24 | Day's change % | xd adj. To-day | xd adj. 1977 to date |
|---|---|---|---|---|
| 1 Under 5 years | 107.85 | +0.02 | — | 3.75 |
| 2 5-15 years | 118.26 | +0.16 | — | 2.62 |
| 3 Over 15 years | 119.27 | +0.21 | — | 4.69 |
| 4 Irredeemables | 123.74 | — | — | 6.08 |
| 5 All stocks | 114.28 | +0.12 | — | 4.00 |

#### FIXED INTEREST YIELDS

[illegible]

[illegible]

1 Redemption yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A new list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4, price 13p, by post 22p.

# AUTHORISED UNIT TRUSTS

**British Life Office Ltd.♥ (a)**

Reliance Hse., Tunbridge Wells, Kt. 0892 22271

| | | | | |
|---|---|---|---|---|
| British Life | 45.6 | 48.3 | +0.4 | 5.47 |
| Balanced* | 40.6 | 43.4 | −0.7 | 5.13 |
| Dividend* | 37.3 | 39.9 | −1.4 | 9.25 |

*Prices May 25. Next dealing June 1.

**Grieveson Management Co. Ltd.**

30 Gresham St., EC2P 2DS. 01-606 4433

| | | | | |
|---|---|---|---|---|
| Barrington May 18 | 196.5 | 205.8 | ..... | 4.47 |
| (Accum. Units) | 206.9 | 216.7 | ..... | 4.47 |
| B'tgn.H.Y. May 19 | 149.1 | 156.2 | ..... | 7.73 |
| (Accum. Units) | 162.1 | 169.8 | ..... | 7.73 |
| Endeavour May 24 | 165.6 | 173.5 | −3.2 | 2.65 |
| (Accum. Units) | 169.3 | 177.3 | −3.2 | 2.65 |
| Grndhstr. May 20 | 86.2 | 90.3 | ..... | 3.80 |
| (Accum. Units) | 87.0 | 91.2 | ..... | 3.80 |
| LonBrsIs.May 18 | 63.1 | 66.0 | ..... | 3.61 |
| (Accum. Units) | 64.0 | 66.9 | ..... | 3.61 |

## BASE LENDING RATES

| | | | |
|---|---|---|---|
| A.B.N. Bank | 8½% | ■ Hill Samuel ........ § | 8½% |
| Allied Irish Banks Ltd. | 8½% | C. Hoare & Co. ........ † | 8½% |
| American Express Bank | 8½% | Julian S. Hodge | 9½% |
| A P Bank Ltd. | 8½% | Hongkong & Shanghai | 8½% |
| Henry Ansbacher | 9 % | Industrial Bk. of Scot. | 8½% |
| Banco de Bilbao | 8½% | Keyser Ullmann | 8½% |
| Bank of Credit & Cmce. | 8½% | Knowsley & Co. Ltd. | 10 % |
| Bank of Cyprus | 8½% | Lloyds Bank | 8½% |
| Bank of N.S.W. | 8½% | London & European | 9½% |
| Banque du Rhone S.A. | 9 % | London Mercantile | 8½% |
| Barclays Bank | 8½% | Midland Bank | 8½% |
| Barnett Christie Ltd. | 9½% | ■ Samuel Montagu | 8½% |
| Bremar Holdings Ltd. | 9 % | ■ Morgan Grenfell | 8½% |
| Brit. Bank of Mid. East | 8½% | National Westminster | 8½% |
| Brown Shipley | 8½% | Norwich General Trust | 9 % |
| Canada Permanent AFI | 8½% | P. S. Refson & Co. | 8½% |
| Capitol C & C Fin. Ltd. | 10½% | Rossminster Accept'cs | 9 % |
| Cayzer Ltd. | 9½% | Royal Bk. Canada Trust | 8½% |
| Cedar Holdings | 10 % | Schlesinger Limited | 9 % |
| Charterhouse Japhet | 8½% | E. S. Schwab | 10½% |
| E. Coates | 9½% | Security Trust Co. Ltd. | 10 % |
| Consolidated Credits | 8½% | Shenley Trust | 11½% |
| Co-operative Bank * | 8½% | Standard Chartered | 8½% |
| Corinthian Securities | 8½% | Trade Development Bk. | 8½% |
| Credit Lyonnais | 8½% | Twentieth Century Bk. | 10 % |
| R. Dawes | 11 % | United Bank of Kuwait | 8½% |
| Duncan Lawrie | 8½% | Whiteaway Laidlaw | 9 % |
| Eagil Trust | 8½% | Williams & Glyn's | 8½% |
| English Transcont. | 9 % | Yorkshire Bank | 8½% |
| First London Secs. | 9 % | | |
| First Nat. Fin. Corpn. | 11 % | | |
| First Nat. Secs. Ltd. | 11 % | | |
| Antony Gibbs | 8½% | | |
| Goode Durrant Trust | 8½% | | |
| Greyhound Guaranty | 8½% | | |
| Grindlays Bank ‡ | 8½% | | |
| Guinness Mahon | 8½% | | |
| Hambros Bank | 8½% | | |

■ Members of the Accepting Houses Committee.

* 7-day Deposits 4%, 1-month deposits 4½%.

† 7-day deposits on sums of £10,000 and under 4%, up to £25,000 5% and over £25,000 5½%.

‡ Call deposits over £1,000 4%.

§ Demand Deposits 5½%.



# OFFSHORE AND OVERSEAS FUNDS

# INSURANCE, PROPERTY, BONDS

Prices on *May 18, **May 17, ***May 0.
† Weekly dealings

**Schroder Life Group♥**

Enterprise House, Portsmouth. 0705 27733

| | | | | |
|---|---|---|---|---|
| Flex. May 17 | 117.5 | 123.8 | ..... | — |
| Equity May 17 | 295.0 | 208.9 | ..... | — |
| Equity 2 May 17 | 198.4 | 208.9 | ..... | — |
| Prop. May 17 | 127.2 | 134.1 | ..... | — |
| Fxd. Int. May 17 | 132.1 | 139.1 | ..... | — |
| Money Fund | 103.2 | 108.7 | ..... | — |
| Deposit May 17 | 109.3 | 115.1 | ..... | — |
| Pens. Cps. May 17 | 169.3 | 178.5 | ..... | — |
| Pen. Acc. May 17 | 193.5 | 203.8 | ..... | — |
| Exec. Pen. Cap. | | 112.37 | ..... | — |
| Exec. Pen. Acc. | | 117.90 | ..... | — |
| Individual Life Funds | | | | |
| Fixed Interest | 141.6 | 149.1 | ..... | — |
| Equity | 108.0 | 114.6 | −0.6 | — |
| Property | 129.1 | 136.0 | ..... | — |
| Managed | 131.2 | 138.2 | −0.3 | — |
| Money | 112.5 | 118.5 | ..... | — |
| K. & S. Gilt Bds. | 139.0 | 141.9 | +1.2 | — |
| K. & S. Govt. Sec. | 117.4 | 123.6 | +1.0 | — |
| Commodity UT. | 87.8 | 92.5 | −0.7 | — |
| Growth UT | 117.7 | 123.9 | −1.1 | — |
| Capital UT | 118.4 | 124.7 | −2.0 | — |
| Income UT | 126.9 | 133.6 | −0.4 | — |
| International UT | 133.0 | 140.1 | −1.8 | — |

**Scottish Widows' Group**

PO Box 902, Edinburgh, EH16 5BU. 031-655 6000

| | | | | |
|---|---|---|---|---|
| Inv. Ply. Series 1 | 88.5 | 93.5 | ..... | — |
| Inv. Ply. Series 2 | 88.6 | 93.3 | ..... | — |
| Ex. Ut. Tr. May 18 | 124.5 | 129.8 | ..... | — |
| Mgd. Pens. May 18 | 222.8 | 228.7 | ..... | — |

**Welfare Insurance Co. Ltd.♥**

The Leas, Folkestone, Kent. 0303 57333.

| | | | | |
|---|---|---|---|---|
| Cap. Growth Fund | 186.2 | +2.1 | ..... | — |
| ♦Exempt Flex. Fd. | 189.7 | +1.9 | ..... | — |
| ♦Exempt Prop. Fd. | 76.1 | +0.8 | ..... | — |
| ♦Expt. Inv. Tst. Fd. | 123.8 | +2.8 | ..... | — |
| Flexible Fund | 99.8 | +1.7 | ..... | — |
| Inv. Trust Fd. | 128.6 | +2.8 | ..... | — |
| Moneymaker Fd. | 92.8 | +1.5 | ..... | — |
| Property Fund | 71.8 | +0.2 | ..... | — |

**Windsor Life Assur. Co. Ltd.**

1 High Street, Windsor. Windsor 68144

| | | | | |
|---|---|---|---|---|
| Life Inv. Plans | 61.4 | 64.6 | ..... | — |
| FutureAssd.Gth(a). | | 10.8 | ..... | — |
| FutureAssd.Gth(b). | | 42.9 | ..... | — |
| Ret. Assd. Pens. | | £21.13 | ..... | — |
| Flex. Inv. Growth | 100.1 | 105.4 | ..... | — |

## NOTES

Prices do not include $ premium, except where indicated ♦, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ♦. ¶ Guernsey gross. ⁋ Suspended. ✦ Yield before Jersey tax.

**CLIVE INVESTMENTS LIMITED**
1 Royal Exchange Ave., London EC3V 3LU. Tel: 01-283 1101
Index Guide as at 17th May, 1977 (Base 100 at 14.1.77)

| | |
|---|---|
| Clive Fixed Interest Capital | 115.91 |
| Clive Fixed Interest Income | 118.25 |

**CORAL INDEX: Close 468-473**

## INSURANCE BASE RATES

| | |
|---|---|
| † Property Growth | 9½% |
| Cannon Assurance | 5½% |

* Address shown under Insurance and Property Bond Table.

# FT SHARE INFORMATION SERVICE

## **BRITISH FUNDS

| 1977 High | Low | Stock | £ | + or – | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| | | **"Shorts" (Lives up to Five Years)** | | | | |
| 101½ | 98⅞ | Treasury 11½pc '77‡‡ | 101⅜ | ..... | 11.34 | 7.08 |
| 98¾ | 93 3/16 | Treasury 3pc '77‡‡ | 98 1/16 | +⅛ | 3.05 | 6.90 |
| 98 9/16 | 94 1/16 | Transport 4pc '72-77 | 98 7/16xd | +⅛ | 4.06 | 6.61 |
| 100⅞ | 95⅝ | Treasury 9pc 1978‡‡ | 100½ | +1/16 | 8.95 | 8.29 |
| 102⅞ | 97⅜ | Treasury 10½pc '78‡‡ | 102⅛ | ..... | 10.28 | 8.50 |
| 98⅛ | 90 15/16 | Exch. 5pc '76-78 | 98⅛ | ..... | 5.10 | 6.45 |
| 104 | 95 | Treasury 11½pc '79‡‡ | 103⅜ | –1/16 | 11.12 | 9.37 |
| 94¼ | 84 13/16 | Treasury 3pc '79‡‡ | 93⅞ | ..... | 3.19 | 5.85 |
| 96⅛ | 85⅛ | Electric 4½pc '74-79 | 95¾ | ..... | 4.44 | 6.21 |
| 102 | 92 | Treasury 10½pc '79‡‡ | 102⅜ | –1/16 | 10.26 | 9.35 |
| 95⅛ | 84⅞ | Electric 3½pc '76-79 | 94¾ | ..... | 3.69 | 5.80 |
| 100 | 87¼ | Treasury 9pc 1980‡‡ | 99¾ | –1/16 | 9.02 | 9.08 |
| 100 | 88⅜ | Treasury 9½pc '80‡‡ | 99 13/16 | –1/16 | 9.51 | 9.52 |
| 92 | 82⅞ | Treasury 3½pc '77-80 | 91¾xd | ..... | 3.81 | 6.52 |
| 94¼ | 83 | Funding 5¼pc '78-80‡‡ | 93¼xd | ..... | 5.60 | 7.58 |
| 109 | 96 | Exchequer 13pc 1980‡‡ | 108 xd | –1/16 | 11.99 | 10.06 |
| 105 | 92 | Treasury 11½pc 1981‡‡ | 105 | –1/16 | 10.95 | 9.82 |
| 89⅛ | 77⅛ | Treasury 3¼pc 1979-81 | 88⅝ | ..... | 3.95 | 7.01 |
| 101⅛ | 86 | Treasury 9¾pc 1981‡‡ | 100⅜ | ..... | 9.71 | 9.61 |
| 110 | 96¼ | Exch. 12¾pc 1981‡‡ | 109⅜ | +1/16 | 11.66 | 10.09 |
| 98¾ | 82⅞ | Treasury 8½pc '80-82‡‡ | 96⅜ | ..... | 8.82 | 9.47 |
| 87⅞ | 71⅝ | Treasury 3pc '82‡‡ | 85¾ | +⅛ | 3.50 | 6.54 |
| 115 | 101⅝ | Treasury 14pc '82‡‡ | 114 | ..... | 12.23 | 10.11 |
| | | **Five to Fifteen Years** | | | | |
| 41 | 39 | Exch. 9¼pc '82 £40pd. | 40 | +1/16 | 9.52 | 9.95 |
| 109 | 95½ | Treasury 12pc 1983‡‡ | 109¼ | –⅛ | 11.22 | 10.35 |
| 88⅝ | 72⅝ | Funding 5½pc '82-84‡‡ | 87⅝ | ..... | 6.42 | 8.35 |
| 96 | 77⅞ | Treasury 8½pc '84-86‡‡ | 95½ | +⅛ | 9.20 | 9.78 |
| 80⅞ | 66¾ | Funding 6½pc '85-87‡‡ | 80 | +⅛ | 8.17 | 9.75 |
| 86⅞ | 68½ | Treasury 7¾pc '85-88‡‡ | 86 | +⅛ | 9.28 | 10.33 |
| 62¼ | 49⅛ | Transport 3pc '78-88 | 61¼ | +⅛ | 4.99 | 8.68 |
| 65 | 53⅞ | Treasury 5pc '86-89 | 64¼ | +⅛ | 7.85 | 10.23 |
| 112⅜ | 90 | Treasury 13pc 1990‡‡ | 111¼ | +¼ | 12.19 | 11.96 |
| 82⅛ | 67⅛ | Treasury 8¼pc '87-90‡‡ | 79½xd | +⅛ | 10.36 | 11.28 |
| 65⅛ | 53¾ | Funding 5¾pc '87-91‡‡ | 64⅛ | +⅛ | 9.08 | 10.95 |
| 108⅛ | 86¾ | Treasury 12¾pc '92‡‡ | 106⅞ | +¼ | 12.43 | 12.35 |
| | | **Over Fifteen Years** | | | | |
| 60⅛ | 53⅛ | Exch. 12¼pc '92 £55pd. | 58¾ | +⅛ | 12.37 | 12.39 |
| 105⅞ | 84½ | Treasury 12½pc '93‡‡ | 104⅝ | +¼ | 12.48 | 12.48 |
| 62 | 51⅝ | Funding 6pc 1993‡‡ | 61 | +⅛ | 10.03 | 11.50 |
| 110¾ | 96 | Treasury 13¾pc 1993‡‡ | 107½xd | +¼ | 12.80 | 12.66 |
| 116½ | 99 | Treasury 14½pc '94‡‡ | 115¼ | +¼ | 12.96 | 12.75 |
| 81⅜ | 66¼ | Treasury 9pc '94‡‡ | 78xd | +⅛ | 11.57 | 12.07 |
| 41⅛ | 32⅝ | Gas 3pc '90-95 | 40½ | ..... | 7.44 | 10.42 |
| 106¼ | 87 | Treasury 12¾pc '95‡‡ | 101¾ | +¼ | 12.57 | 12.55 |
| 79¾ | 66¼ | Treasury 9pc '92-96‡‡ | 78¾ | +⅛ | 11.69 | 12.12 |
| 118⅝ | 101⅛ | Treasury 15¼pc '96‡‡ | 116⅝ | +¼ | 13.18 | 12.99 |
| 109⅞ | 89¾ | Exchequer 13¼pc '96‡‡ | 104¾ | +¼ | 12.69 | 12.63 |
| 40¼ | 31¾ | Redemption 3pc 1986-96 | 39¾ | ..... | 7.63 | 10.28 |
| 109¾ | 87⅛ | Treasury 13¾pc '97‡‡ | 108½ | +¼ | 12.74 | 12.68 |
| 77⅞ | 64⅞ | Treasury 8¾pc 1997‡‡ | 76⅜ | +⅛ | 11.77 | 12.17 |
| 61⅝ | 50⅞ | Treasury 6¾pc '95-98‡‡ | 60⅛ | +⅛ | 13.31 | 12.87 |
| 121 | 103⅝ | Treas. 15½pc '98‡‡ | 119¾ | +¼ | 13.21 | 13.04 |
| 83⅜ | 65⅞ | Treasury 9½pc 1999‡‡ | 82⅜ | +⅛ | 12.03 | 12.28 |
| 35¾ | 27⅝ | Funding 3½pc '99-04 | 35⅛ | ..... | 10.33 | 11.47 |
| 68⅜ | 57½ | Treasury 8pc '02-06‡‡ | 67⅜ | +⅛ | 12.07 | 12.26 |
| 48¼ | 40½ | Treasury 5½pc '08-12‡‡ | 47⅜ | +⅛ | 11.90 | 12.11 |
| 67⅞ | 53¼ | Treasury 7¾pc '12-15‡‡ | 66⅛ | +⅛ | 12.14 | 12.21 |
| | | **Undated** | | | | |
| 33¼ | 26⅝ | Consols 4pc | 32⅞ | ..... | 12.64 | — |
| 31½ | 25⅝ | War Loan 3½pc‡‡ | 30¼xd | ..... | 11.55 | — |
| 32¼ | 26¾ | Conv. 3½pc '61 Aft. | 32¼ | ..... | 11.03 | — |
| 24¼ | 20½ | Treasury 3pc '66 Aft. | 24 | ..... | 12.71 | — |
| 21 | 17¼ | Consols 2½pc | 20¾ | ..... | 12.25 | — |
| 20⅜ | 17⅛ | Treasury 2½pc | 20⅛ | ..... | 12.65 | — |

## **INTERNATIONAL BANK

## **CORPORATION LOANS

## COMMONWEALTH & AFRICAN LOANS

## LOANS (Miscel.)

## FOREIGN BONDS & RAILS

U.S. $ & DM prices exclude inv. $ premium

## AMERICANS

S.E. List Premium 40⅝% (based on $US1.7170 per £)

Conversion factor 0.7152 (0.7180)

## CANADIANS

| 1977 High | low | Stock | £ | + or – | Div. Gross | Cvr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 11 | 10 | Bk. Montreal $2 | 11 xd | ..... | $1.00 | — | 5.2 |
| 17⅜ | 13 | Bk. Nova Scotia $1 | 13 | ..... | 86c | — | 3.6 |
| 41¼ | 34¼ | Bell Canada 25c | 39 | ..... | $4.08 | — | 6.1 |
| 19⅜ | 13½ | Bow Valley‖ | 14¾ | +⅛ | 10c | — | 0.4 |
| 995p | 875p | Brascan‖ | 910p | ..... | $1.00 | — | 6.5 |
| 22 | 17 | Can. Imp. Bk. $2 | 17 | ..... | $1.40 | — | 4.7 |
| 14 | 11 | Can. Pacific $5 | 14⅛ | ..... | 80c | — | 3.5 |
| 33¼ | 26½ | Do. 4pc Deb. £100 | 31½xd | –¼ | 4% | — | 12.7 |
| 22⅞ | 18⅞ | Gulf Oil Can.‖ | 19⅜ | ..... | $1.06 | — | 3.2 |
| 420p | 335p | Hawker Sid. Can.‖ | 395p | ..... | 36c | — | 5.4 |
| 25½ | 20¼ | Hollinger $5 | 24⅛ | ..... | $1.94 | — | 5.8 |
| 13 | 11 | Hudson's Bay‖ | 11 | –⅛ | 65c | — | 3.4 |
| 29½ | 25⅛ | Hud. B. Oil G. $2½ | 28½ | ..... | $1.52 | — | 3.1 |
| 18¾ | 15⅜ | Imperial Oil‖ | 15⅜ | ..... | 86.4c | — | 3.3 |
| 28¼ | 22½ | Inco | 22⅞ | ..... | $1.60 | — | 4.1 |
| 845p | 740p | Int. Nat. Gas $1 | 790p | ..... | 80c | — | 6.0 |
| 18¾ | 14½ | Massey Ferg.‖ | 18⅜ | ..... | $1.00 | — | 3.2 |
| 24½ | 20⅜ | Pacific Pet. $1 | 22¾ | ..... | 86.4c | — | 2.2 |
| 42p | 32p | Place Gas $1 | 35p | ..... | — | — | — |
| 24 | 19⅝ | Rio Algom | 22⅜ | ..... | $1.00 | — | 2.6 |
| 22 | 17⅞ | Royal Bk. Can. $2 | 17 | ..... | $1.38 | — | 4.5 |
| 19⅜ | 16 | Seagram Co. C$1 | 16⅝ | ..... | 86.4c | — | 3.1 |
| 16⅞ | 12⅝ | Tor. Dom. Bk. $1 | 12⅝ | ..... | 76c | — | 3.5 |
| 11½ | 925p | Trans. Can. Pipe 33¼c | 11⅛ | ..... | 95c | — | 5.0 |

S.E. List Premium 40⅛% (based on $1.8040 per £)

## BANKS AND HIRE PURCHASE

## Hire Purchase, etc.

## BEERS, WINES AND SPIRITS

## BUILDING INDUSTRY, TIMBER AND ROADS

## BUILDING INDUSTRY—Continued

## CHEMICALS, PLASTICS

## CINEMAS, THEATRES AND TV

## DRAPERY AND STORES

## DRAPERY AND STORES—Continued

## ELECTRICAL AND RADIO

## ENGINEERING, MACHINE TOOLS

## ENGINEERING—Continued

## FOOD, GROCERIES, ETC.

## HOTELS AND CATERERS

## INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPBUILDERS, REPAIRERS

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS—Continued

[illegible]

Finance, Land, etc.

[illegible]

OILS

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

CENTRAL RAND

[illegible]

EASTERN RAND

[illegible]

FAR WEST RAND

[illegible]

O.F.S.

[illegible]

FINANCE

[illegible]

DIAMOND AND PLATINUM

[illegible]



MINES—Continued

CENTRAL AFRICAN

[illegible]

AUSTRALIAN

[illegible]

TINS

[illegible]

COPPER

[illegible]

MISCELLANEOUS

| 1977 High | Low | Stock | Price | + or − | Div Net | Cvr | Yld Gr's |
|---|---|---|---|---|---|---|---|
| 9½ | 9 | Burma Mines 17½p | 9 | ..... | — | — | — |
| 31 | 18 | Charterhall 5p | 26 | ..... | — | — | — |
| 107 | 58 | Colby Mines SC1 | 91½ | +½ | — | — | — |
| 600 | 425 | Cons. Murch. 10c | 460 | −5 | Q140c | 1.4 | 20.4 |
| 440 | 345 | Northgate C$1 | 350 | ..... | — | — | — |
| 247 | 173 | R.T.Z. | 231 | +8 | 8.0 | q3.1 | 5.3 |
| 70 | 44 | Sabina Inds. C$1 | 46 | ..... | — | — | — |
| £14⅞ | £11⅛ | Tara Exptn. $1 | £13¾ | ..... | — | — | — |
| 53 | 39 | Tehidy Minerals 10p | 42xd | −1 | 1.19 | ϕ | 4.4 |
| 160 | 123 | Yukon Cons. C$1 | 150 | −1 | Q6½c | 3.6 | 1.7 |

## NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures; they are adjusted to ACT of 35 per cent. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- ▲ Sterling denominated securities which include investment dollar premium.
- • "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ¢ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ÷ Regional price.
- Ⅱ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Cover and P/E ratio exclude profits of U.K. aero-space subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1976-77. M Figures based on prospectus or other official estimates for 1976. N Dividend and yield based on prospectus or other official estimates for 1976. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. 1 No significant Corporation Tax payable. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

"Recent Issues" and "Rights" Page 40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

## REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange

| | | | | | |
|---|---|---|---|---|---|
| Albany Inv. 20p | 20 | ..... | Sayers 12½p | 32 | ..... |
| Ash Spinning | 40 | ..... | Sheffield Brick | 88 | ..... |
| Bertam | 18 | ..... | Sheff. Refrshmt. | 165 | ..... |

[illegible]

IRISH

[illegible]

## OPTIONS

### 3-month Call rates

[illegible]

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES
Wednesday May 25 1977



# French strike halts industry, transport

BY ROBERT MAUTHNER

PARIS, May 24.

A 24-HOUR general strike against the French Government's austerity measures brought large sections of the country's public transport and industry to a halt to-day. The strike was backed by demonstrations in the capital and the larger provincial cities.

It was the biggest national stoppage not only since the student-worker uprising of 1968, but since 1964, the last time that all major trade unions joined forces to organise a general strike.

To-day, as then, the moderate Force Ouvrière, which normally shuns national strikes, co-operated with the Communist-led CGT, the Socialist CFDT, and the militant Left-wing teachers' unions, in spite of its fundamentally different political outlook.

Six major unions took part in the strike, called as a protest against Prime Minister Raymond Barre's policy of pegging wage rises to the increase in the cost-of-living index, leaving no room for the traditional collective bargaining process.

They were also protesting against the high level of unemployment, which continues around 1m.

Though national economic life was severely disrupted, the strike was less general than might have been expected.

According to the latest informed estimates, some 50 to 60 per cent. of the country's total labour force of about 22m. came out, but one passenger train in four and the same number on the Paris Métro were still running.

Air France had to cancel most of its European flights, although its long-distance services were hardly affected. Even the CGT admitted that no more than 200,000 out of a total 360,000 postal employees stopped work.

Banks remained open, as did most department stores, shops, restaurants, and cafés.

## Power supplies

Virtually all miners, however, came out on strike, and the chemical and metallurgical industries as well as the country's biggest ports, were badly hit by the stoppage.

Electricity supplies were down to 30 per cent. of normal, and not a single newspaper was published in France to-day.

Observers were struck by the good-natured, even festive, atmosphere in which the strike took place.

Several hundred thousand workers—the CGT claimed it was as many as 500,000—took part in a march through the eastern part of Paris, but it was a surprisingly friendly demonstration.

Linking arms and carrying banners with anti-Government slogans, the chanting and singing strikers, led by M. Georges Seguy and M. Edmond Maire, the CGT and CFDT leaders, paraded peacefully and good-humouredly from the Bastille to the Gare de l'Est.

Discipline was imposed by their own marshals rather than the riot police, who were mostly stationed out of sight in side-streets, and there was only a minor clash with a group of youths.

A number of police trade unionists dressed in civilian clothes took part in the march.

Many people appeared to have taken advantage of the long Ascension week-end to extend their holidays by another day. None of the usual traffic jams which normally clog the capital's streets during a big strike occurred.

The unions have gone out of their way to deny charges that their strike was mainly political and was intended as a gesture of support for the Socialist-Communist Alliance, at present given more than an even chance of winning next spring's General Election.

M. Maire, the CFDT leader, emphasised that the unions were not trying to overthrow the Government, but were merely aiming at a modification of its economic policies.

The unions clearly intend to keep up their offensive during the run-up to the General Elections.

Though the unions may find it difficult to repeat to-day's nation-wide performance, they have already given notice that they will pursue their offensive in various industrial sectors.

# Callaghan hits at Daily Mail

BY RICHARD EVANS, LOBBY EDITOR

MR. JAMES CALLAGHAN, to roars of approval from Labour MPs, yesterday made public the full extent of his fury over the way the Daily Mail had handled allegations of "slush fund" payments by British Leyland to boost exports.

The Prime Minister went out of his way during Commons questions to launch one of the most savage attacks ever on a national newspaper and its editor.

He described the paper's editorial last week attacking Lord Ryder, chairman of the National Enterprise Board, as "contemptible" and said that in his view publication of the letter which purported to show connivance by the Government and the National Enterprise Board had "reduced journalism to a lower level than I remember for many years."

Mr. Callaghan's onslaught, which clearly had the enthusiastic support of his backbenchers, emphasises the depth of feeling on the issue within the Labour Party.

Mr. Callaghan argued that the presentation of the story was "a contemptible display of political spite." He hoped the Daily Mail had learned its lesson. "They never will," Labour backbenchers shouted.

The Prime Minister said he was astonished that Mr. Vere Harmsworth, proprietor of Associated Newspapers, had said he had every confidence in the ability of Mr. David English, the Daily Mail editor.

"To be proved wrong and vindictive at the same time is a really remarkable combination," Mr. Callaghan commented bitingly.

He confirmed that he will be seeing Prof. Oliver McGregor, chairman of the Royal Commission on the Press to-day, to discuss the issues raised for newspapers as a whole by the Daily Mail controversy.

He also went out of his way to defend Lord Ryder, who is planning to sue the Daily Mail. Conservatives sat in embarrassed silence, not wishing to support Mr. Callaghan's condemnation, but not wanting to defend the Mail either.

The exchanges were launched by Mr. Ian Wrigglesworth (Thornaby) who referred to the Mail's demand to Lord Ryder last week to "resign and resign quickly" after mentioning reports that Mr. Stewart Steven, associate editor of the Mail, has resigned.

"This is not adequate recompense for the circumstances that have arisen as a result of the activities last week. We want the organ-grinder, not the monkey," he declared.

● Nigeria has ordered an inquiry into allegations that British Leyland paid a large bribe to local agents following the purchase of Leyland buses for use during a recent Black Arts festival. Nigeria is one of British Leyland's largest export markets for commercial vehicles.

Parliament Page 16

## Leyland holds AGM to-day

BRITISH LEYLAND faces the prospect of another turbulent annual meeting to-day at the Dorchester Hotel, London. Some of the 100,000 small shareholders will try to obtain more information over the recent "slush fund" allegations.

THE LEX COLUMN

# Dividend hopes stir market

Index rose 15.7 to 472.2

The vision of dividend freedom set the equity market alight yesterday afternoon. The FT 30-Share Index was already nearly 7 points up at 2 p.m. when news of the Government's concession on the Price Commission Bill helped to push the overall rise to 15.7 points, the biggest daily increase for over two years. Shares in companies with high dividend cover and low yields, like Wimpey, Associated Dairies, Marchwiel and Beecham, posted gains of anything up to a tenth.

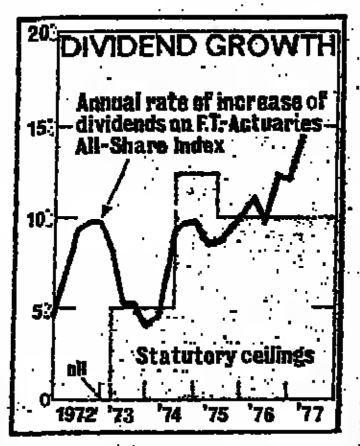
This reaction, however, says more about the underlying bullishness of the market than about any fundamental change in policy. The Government is not after all going to secure reserve powers to extend its controls over profit margins and dividends for a further two years beyond 1978, but it is perfectly free to introduce specific legislation next summer if it wants to.

Moreover the Government's ability to extend dividend controls in their present form for any length of time has already been open to question for some time, since they are inextricably intertwined with pay policy. The controls can only be extended for as long as price code provisions supporting the pay policy are in operation, which in turn requires that Stage Three produces pay guidelines which are capable of being enforced either by margin controls or investigations.

So the idea that yesterday's concession makes any real difference rests on the assumption that the present Government will still be in office in a year's time, and capable of producing a coherent Stage Four. In reality, nothing much has changed.

In addition it is open to question whether the absence of dividend controls would make a radical difference to share prices over anything but the short term. Thanks to the Treasury's various concessions dividends have recently been rising at an annual rate of around 14 per cent. rather than the statutory 10. The company sector as a whole could probably afford to accelerate this rate given its improved liquidity, but not by all that much.

The real benefit to come from abolishing dividend controls is to be measured in terms of market efficiency, rather than of the FT Index. Under the present arrangements moribund companies can secure new funds




under the gloss of a big dividend increase, whereas the share price of growth companies is artificially restrained by low dividend yields. The sooner they are scrapped, the better.

## Wall Street

While here in London, yesterday, equities were roaring ahead, across the Atlantic, the Dow Jones Industrial Average had hit a new 1977 low in the first few hours of trading. Only sterling, which came under the first really serious bout of pressure since the beginning of the year, seemed to fear that all was not well.

The twin bogies of rising inflation and higher interest rates continue to haunt Wall Street. Last week's U.S. consumer price figures—indicating a 9.6 per cent. annual growth rate in April—did not go down well, and the recent tightening of U.S. monetary policy, following the sharp spurt in the April money supply figures, has forced interest rates higher. The key Fed Funds rate has been pushed up by three-quarters of a point over the past month and is now established at around 5¾ per cent.

Over the past couple of months U.S. money supply (M1) has been growing at a 13.6 per cent. annual rate, well above the 4½ per cent.-6½ per cent. Federal Reserve targets, and Wall Street's current nervousness stems in large part from uncertainties over the Fed's reaction to this sort of growth. The U.S. economy appears to be on a steady growth path at the moment—with real GNP and inflation expected to rise by around 6 per cent. per annum

in the second half
But clearly Wall St
far from happy with
mic indicators.

## Deferred tax

The Accounting
Committee's about-turn
ferred tax accounting
justified, reasonably
the grounds that inf
stock relief have m
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an extent that accou
up on the original
basis are losing
reality.

Yet the proposed
ible approach of
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duces new judgement
for auditors, who are
to assess the need for
tax provisions on the
"reasonable probability
the levels of future
spending or stock val
current levels of profit
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probably be in the
capital spending, but
could be stickier
especially for commod
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sharp impact on publish
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for large companies on
of the last published
would have been a
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shareholders' funds,
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probably being typical.
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altered by such an
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stock market prices.
possible, however, that
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less new equity—co
slightly affected by
cosmetic moves.

Meanwhile earnings,
higher, will also be
volatile and less pred
They could also become
in quality, since compa
a low return on capital
high stock profit eleme
be particularly favoured
the change will not alw
to an advance on last
earnings; but for a defe
clawback Tate and Lyle
have had to charge
£18m. or so of U.K. tax
last year's profits.

# Premier appeals to Dutch to vote despite outrage

BY MICHAEL VAN OS

AMSTERDAM, May 24.

MR. JOOP DEN UYL, the Dutch Prime Minister, to-night appealed to an outraged nation to vote in to-morrow's general election, despite the shock caused by the seizure of more than 150 hostages by South Moluccan terrorists in Northern Holland.

With the Moluccans threatening to start killing their hostages, including 100 school children, by 2 p.m. tomorrow, the Cabinet was still meeting in the Hague to-night to decide its response to the terrorists' demands.

The Moluccans have asked for a Jumbo Jet to fly them to an unspecified destination, with 21 of their compatriots now in Dutch jails for their part in previous terror operations to promote their campaign for their country's independence from Indonesia.

The terrorists have been holding the children and six teachers hostage in a village school, and 50 or more passengers in a hijacked train since yesterday morning.

In letters sent to the Ministry of Justice in The Hague and to news media the Moluccans have warned of "many deaths" if their demands are not met, and threatened to start killing hostages if the Government attempts to mediate or negotiate.

Ministers to-night were still keeping their plans secret, but Mr. den Uyl urged the country not to be thrown off balance. "We must not allow this to disrupt the working of the Constitution" he told an election-eve Press conference.

The letters said that the operation was also intended to stress the "political demands" made during the South Moluccan train hi-jack in Beilen and the seizure of the now-closed Indonesian Consulate in Amsterdam in December, 1975. These refer to demands that the Dutch Government put pressure on the Indonesian Government to secure their impossible goal—the establishment of a South Moluccan republic in their former island homeland, now ruled by Djakarta.

The 21 South Moluccans now in jail include those convicted for up to 14 years' imprisonment for the 1975 seizures, in which four people were killed, and the extraordinary plans discovered the year earlier for a kidnapping attempt against Soestdijk Palace, the home of Queen Juliana.

The letters also warned that if there was any attack on the train or the school, or any attempt to bluff, the Moluccans would not hesitate in blowing up everything and everybody. They would also shoot people if there were any "reprisals" against South Moluccans in Holland and elsewhere.

As a precautionary measure, guards have already been placed outside the homes of a number of South Moluccan families in Bovensmilde where distraught parents were waiting for news near the primary school.

Ironically, the new Moluccan action could mean that a recently-established neo-Fascist Dutch party will gain more votes in to-morrow's election.

This afternoon a number of South Moluccan youth and church organisations issued statements in which they rejected the actions in Onnen and Bovensmilde in the north-east of the country. A number of Moluccan teachers offered to be exchanged for the schoolchildren.

Dutch election background Page 4

# Lobby reporters go 'on record'

BY RICHARD EVANS, LOBBY EDITOR

POLITICAL JOURNALISTS at Westminster have decided to support a call for more open contacts with politicians and civil servants.

The Lobby journalists broke with tradition at a special meeting yesterday and accepted that meetings with Ministers, MPs and Whitehall press spokesmen should be "on the record" when both journalists and politicians agree.

But the journalists accepted that a high proportion of their news-gathering should still be carried out on a non-attributable basis, as at present. The sources of such information, it was argued, should be as fully protected as recognised journalistic practice demanded.

The lobby committee has been instructed to discuss with the parties concerned, including editors, how the change can be implemented. Mr. Callaghan and other senior Ministers, as well as other leading politicians, are in favour of the introduction of on-the-record statements.

A resolution passed at the meeting recalled that attempts had been made over many years to persuade both the Commons and the Government to reveal more of their processes to public security—despite the restrictive effects of Parliamentary privilege and the Official Secrets Act.

The journalists made their policy change after being involved in a row with the Government and Whitehall over who was responsible for describing Sir Peter Ramsbotham, outgoing Ambassador to the U.S., as a "fuddy duddy" and an old-fashioned snob.

# Police vote for right to strike

BY ALAN PIKE, LABOUR STAFF

DELEGATES representing police officers in England Wales, yesterday voted by an overwhelming majority in favour of the right to strike.

The vote at the Police Federation's annual conference in Scarborough, which comes after months of bickering with the Government over pay, can be regarded as the prelude to a hostile reception for Mr. Merlyn Rees, Home Secretary, when he arrives to address delegate to-day.

Mr. Jim Jardine, federation chairman, was cheered by the 1,000 delegates as he declared: "We have started the fight and I will be telling the Home Secretary to-morrow 'We have just bloody started now'."

Mr. Jardine added that he "could not care less" about the regulation in the 1964 Police Act which says that any person advocating a police strike is liable to prosecution for disaffection.

At present police officers are clearly debarred by law from withdrawing their labour and it will now be the task of the federation's central committee to campaign to have this changed.

This is unlikely to prove easy. The present discontent among the federation's members was stimulated by a Government ruling that under the terms of the pay policy they did not qualify for £6 rises within Phase One and must settle instead for the lower £2.50-£4 increases of Phase Two.

Mr. Rees, faced with a refusal by the federation to accept this, has now begun moves to enforce the Phase Two settlement.

Yesterday's vote instructed the central committee to seek and obtain the right to withdraw labour as a condition of service, subject to the safeguard that before any strike took place the committee would ballot members.

Moving the motion, Det. Sgt. Richard House, from Leicestershire, said that in the past he had always opposed police officers having the right to strike, but the Government had acted irresponsibly, dishonourably and deceitfully.

● Mr. Peter Waugh, vice-chairman, told the Prison Officers' Association conference at Weymouth that a "riot situation" could develop in British prisons unless Mr. Rees revised the present application of budgetry controls in the prison service.

# Tameside misses school deadline

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

MRS. SHIRLEY WILLIAMS last night confirmed that only the Tameside local authority had failed to meet her deadline for the submission of plans for changing to fully comprehensive secondary schooling.

The time-limit, which the Secretary for Education and Science set for the eight main rebel authorities under the new Education Act, expired at mid-night.

The other seven had all sent answers, Mrs. Williams said, but it would take some time for her department to establish whether these were genuine plans or merely delaying tactics. The seven are Bexley, Buckinghamshire, Essex, Kingston, Redbridge, Sutton and Trafford.

Although Mrs. Williams gave no hint of her response if Tameside continues to withhold any submission, this Greater Manchester authority would seem to have more to lose than the other seven from a policy of outright opposition, rather than one of procrastination.

The legal position has changed since last summer when, because the education secretary failed to show that Tameside's Conservative council was acting "unreasonably" in retaining its grammar schools, the Law Lords upheld the council's decision to shelve the plans for going comprehensive drawn up by its Labour predecessor.

Because these plans already exist, it is thought that if Mrs. Williams wished, she could bring an action under the new Act requiring the council to implement the plans.

Earlier, Mrs. Williams told the Commons' select sub-committee on education that many employers were still ignorant about the standing of the Certificates of Secondary Education as a national school-leaving examination for 16-year-olds.

A "substantial minority" of companies still ignored the CSE attainments of job applicants, believing the certificate to be "wholly inferior" to the Ordinary levels of the General Certificate of Education, she said.

The education secretary also said she was anxious to explore the question of the present high job security enjoyed by teachers, especially now that wastage rates had declined, reducing the intake of fresh blood into the profession.

However, Mr. Jim Hamilton, permanent secretary at the Department of Education and Science, added that the matter was "very delicate," and progress could be made only by means of negotiations

## Weather

U.K. TO-DAY

MAINLY dry with sunny spells.

London, S.E., Cent. S. England
Scattered showers, becoming dry. Sunny spells. Wind E., fresh. Warm. Max. temp 18-20C (65-68F).

Channel Islands, S.W. England
Scattered showers, becoming mostly dry. Sunny spells. Warm. Max 18-20c (65-68F).

E. Anglia, E. England, E. Midlands
Dry. Sunny spells. Warm. Max. 19C (67F).

W. Midlands, Wales, Lake District, Isle of Man, N.W., Cent. N. England
Mainly dry. Sunny spells. Warm. Max. 19C (67F).

N.E. England, Borders, Edinburgh, Dundee, Aberdeen, Moray Firth, N.E. Scotland
Mostly dry, cloudy at times, coastal fog. Normal. Max. 17C (63F), 14C (57F) on coasts.

Rest of Scotland, N. Ireland
Dry, cloudy at times. Sunny intervals. Very warm. Max. 17-19C (63-67F).

Outlook: Mostly dry. Very warm with sunny spells. Rather cool in some E. areas.

BUSINESS CENTRES

| | | Y'day Mid-day °C | °F | | | Y'day Mid-day °C | °F |
|---|---|---|---|---|---|---|---|
| Al'x'ndria | S | 29 | 84 | Madrid | R | 17 | 63 |
| Amstrdm. | S | 21 | 70 | Manchstr. | S | 17 | 63 |
| Athens | F | 26 | 79 | Melbourne | R | 11 | 52 |
| Bahrain | S | 32 | 89 | Mexico C. | S | 26 | 79 |
| Barcelona | F | 21 | 70 | Milan | F | 21 | 70 |
| Beirut | S | 23 | 73 | Montreal | S | 27 | 81 |
| Belfast | S | 15 | 59 | Moscow | S | 13 | 55 |
| Belgrade | S | 18 | 64 | Munich | S | 18 | 64 |
| Berlin | S | 20 | 68 | Newcastle | F | 12 | 54 |
| Birmghm. | C | 14 | 57 | New York | S | 22 | 72 |
| Bristol | S | 17 | 63 | Oslo | S | 24 | 75 |
| Brussels | S | 21 | 70 | Paris | S | 21 | 70 |
| Budapest | F | 17 | 63 | Perth | R | 15 | 59 |
| B. Aires | S | 14 | 57 | Prague | S | 17 | 63 |
| Cairo | S | 35 | 95 | Reykjavik | F | 11 | 52 |
| Cardiff | S | 17 | 63 | Rio de J'o | S | 32 | 90 |
| Cologne | S | 21 | 70 | Rome | S | 31 | 88 |
| Copnhagn. | S | 21 | 70 | Singapore | S | 32 | 90 |
| Dublin | F | 12 | 54 | Stockholm | C | 16 | 61 |
| Edinburgh | C | 12 | 54 | Strasbrg. | S | 22 | 72 |
| Frankfurt | S | 21 | 70 | Sydney | F | 19 | 67 |
| Geneva | S | 19 | 66 | Tehran | C | 23 | 73 |
| Glasgow | C | 14 | 57 | Tel Aviv | S | 24 | 75 |
| Helsinki | C | 12 | 54 | Tokyo | S | 20 | 68 |
| H. Kong | S | 30 | 86 | Toronto | C | 25 | 77 |
| Jo'burg | S | 26 | 79 | Vienna | C | 18 | 64 |
| Lisbon | C | 16 | 61 | Warsaw | F | 16 | 61 |
| London | F | 18 | 64 | Zurich | F | 18 | 64 |
| Luxembg. | S | 13 | 55 | | | | |

HOLIDAY RESORTS

| | | Y'day Mid-day °C | °F | | | Y'day Mid-day °C | °F |
|---|---|---|---|---|---|---|---|
| Biarritz | C | 17 | 63 | Locarno | F | 22 | 72 |
| Blackpool | S | 18 | 64 | Luxor | S | 39 | 102 |
| Bordeaux | F | 21 | 70 | Majorca | C | 18 | 64 |
| Cape Tn. | S | 16 | 61 | Malaga | F | 23 | 73 |
| Corfu | S | 29 | 84 | Malta | S | 25 | 77 |
| Dubrovnik | F | 26 | 79 | Nairobi | S | 24 | 75 |
| Faro | F | 20 | 68 | Naples | S | 31 | 88 |
| Florence | S | 25 | 77 | Nassau | C | 26 | 79 |
| Gibraltar | F | 19 | 66 | Nice | C | 22 | 72 |
| Guernsey | F | 15 | 59 | Nicosia | C | 27 | 81 |
| Innsbruck | F | 19 | 66 | Oporto | R | 15 | 59 |
| Inverness | C | 14 | 57 | Rhodes | F | 29 | 84 |
| Is. of Man | S | 13 | 55 | Salzburg | S | 19 | 66 |
| Istanbul | F | 23 | 73 | Valencia | F | 21 | 70 |
| Jersey | S | 16 | 61 | Venice | S | 23 | 73 |

F—Fair. S—Sunny. R—Rain. C—Cloudy.

Continued from Page 1

# Podgorny dropped

Mr. Podgorny recently say that he appears in better health than either Mr. Brezhnev, 70, or Mr. Kosygin, 73.

He is not identified with any policy or faction which could have led to his demotion.

On circumstantial evidence, it has been suggested that Mr. Podgorny might have clashed with Mr. Brezhnev over the succession.

Fyodor Kulakov, 59, a Politburo member and member of the party secretariat, is believed by some analysts to be the heir-apparent to Mr. Brezhnev as party leader. Considerable attention is now expected to focus on who will replace Mr. Podgorny.

Mr. Podgorny has been the Soviet Head of State since 1965, and a member of the Politburo since 1960. He was born in the Ukrainian village of Karlovka, near Poltava, in 1903, began work in a factory just before his 15th birthday, and took part in the 1917 October revolution.

The central committee plenary session at which Mr. Podgorny was demoted also elected Mr. Constantine Rusakov as secretary of the Communist Party central committee, and removed Mr. Constantine Katushev from his duties as a member of the party secretariat. Mr. Katushev was responsible for Kremlin relations with other ruling Communist parties.



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